The NATIONAL UNDERWRITER

Published weekly at 175 W. Jackson Blvd., Chicago 4, Illinois. Second class postage paid at Chicago.

30¢ a copy
$7.50 a Year

November 17, 1961
65th Year, No. 46

The National Weekly Newspaper of Fire and Casualty Insurance

New Federal Law On Employe Auto Use Responsibility

WASHINGTON—President Kennedy has signed H. R. 288, which appears to relieve a federal government employe from personal liability from the operation of any automobile on government business. The law, which goes into effect March 21, 1962, is identified as public law 258, 87th Congress, and also as U. S. Code 75:539.

The new statute provides that the Attorney General shall defend any civil action brought in any court against any employe of the federal government under those circumstances, shall have authority to compromise or settle the claim, shall remove any suit in a state court to the federal court of that district and treat the matter as a claim against the U. S. under federal tort claims act. The law also provides that this remedy shall "be exclusive of any other civil action or proceeding by reason of the same subject matter against the employe or his estate. . . ", meaning, in effect, that the employe is relieved of personal liability.

The law refers to operation of "any motor vehicle." Hence, it applies whether the automobile is owned by the employe, by the government or by anyone else. It obviously also applies to any type of motor vehicle—private passenger automobile, truck, motorcycle, "mailster," etc.

Previous Bill

A similar law passed both houses of Congress last year, but with an additional provision that this action could be taken only if the claimant consented to it. This feature—undoubtedly promoted by plaintiffs' attorneys—would have given the injured party the option of suing the government employe personally, if he had insurance or other assets, or of proceeding against the government. Plaintiffs' attorneys often prefer to deal with an insurance company if possible, particularly where liability is clear cut, since they can frequently make a settlement much more quickly than by going through the federal court claims act procedure. President Eisenhower vetoed the 1960 bill, specifically because of this feature, which would have let the claimant "eat his cake and have it," but his message stated that he would "gladly sign" similar legislation without that provision. It was left out of the 1961 bill.

The principal effect of this bill will be to lessen the need for drive other cars or broad non-owned automobile coverage on the part of federal employes. Prior to this law, the federal tort claims act provided no personal protection for government employes, and automobile liability insurance—under the basic, family or special form and under most independent forms—

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Ill. Agents' Annual Starts On Page 20

Conn. General And Aetna Ins. Co. 'Affiliation' Move Gets Boards' OK

HARTFORD—Directors of Connecticut General Life and Aetna Ins. Co. in separate board actions Monday approved a plan of affiliation.

The plan calls for a two-for-one split of Connecticut General stock, with a reduction in its par value from the present $10 a share to $5 and the offer to Aetna stockholders of 1.2 shares of the new Connecticut General stock for each share of Aetna stock.

Directors of Connecticut General indicated an intention to declare an initial quarterly dividend of 20 cents a share on the new stock. This represents a 14% increase in the dividend rate, since the current dividend, adjusted for the stock split, is 17½ cents.

The exchange proposal requires approval by the insurance commissioner of Connecticut as well as by Connecticut General stockholders. The exchange offer will also be conditional on acceptance by holders of at least 80% of Aetna stock, receipt of a Treasury Department ruling that the exchange is tax-free, and satisfactory audits.

Connecticut General directors will call a special meeting of stockholders for Jan. 3, 1962, to approve the plan and authorize the formal offer to Aetna stockholders. Directors of Aetna endorsed the plan and will recommend its acceptance by its stockholders.

Aetna stockholders who elect to make the exchange will become stockholders of Connecticut General, and Connecticut General will become owner of 80% or more of presently outstanding Aetna stock.

First Boston Corp. is acting in an advisory capacity to both companies and will assist in carrying out the exchange plan.

The affiliation plan does not involve any change in the management, corporate structure, location or agency arrangements of Aetna, the announcement stated.

Commenting on the plan, the Connecticut General's letter to its stockholders said: "For many years your directors and officers have studied the desirability of broadening our investment base so that Connecticut General may benefit from the writing of all forms of insurance coverage. The New York law has been clarified by the highest court of that state, so that this plan is now feasible. We believe the proposed affiliation with Aetna Ins. Co. will be beneficial to the future of both companies and is in the best interests of our stockholders."

The letter was signed by Henry R. Roberts, president, and Frazar B. Wilde, chairman.

The letter from Aetna's board to its stockholders was signed by President H. M. Mountain and says in part:

"Your directors and management believe it is definitely to your advantage as an Aetna Ins. Co., stockholder to accept the exchange offer when it is formally made. This plan will provide the Aetna Ins. Co., with an outstanding, aggressive life insurance associate. It will also provide our stockholders with the opportunity to become owners of a company that will have active and major interests in all areas of the insurance business.

"Aetna Ins. Co., including its management, agency representation, office and field personnel, will continue to operate as a separate company with the benefit of affiliation with Connecticut General."

The projected affiliation will result in a group which, on the basis of Jan. 1, 1961, figures, will have assets of $2,547,000,000, capital and surplus of $257 million and premium income of $510 million. Connecticut General is the sixth largest life company in the country in insurance in force, with

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Bleichner Joins Security General

Everett Bleichner, formerly with National Farmers Union, has joined Security General of Sioux Falls and will travel Kansas as state agent.

$17 Million Stock Sale In One Day

Public offering of 300,000 shares of common stock of Combined of Chicago at $57 per share was all taken the first day. The offer was made by an underwriting group headed by Smith, Barney & Co. The offering did not represent new financing by Combined. The shares were already outstanding and were acquired by the underwriting group from a numbr of stockholders who after the sale owned 1,143,490 shares of the 300,000 shares outstanding.

Principal purpose of the sale was to broaden the market for the common shares of the company and to provide diversification of the selling stockholders' investments.

NAII President Criticizes Bureau Manual Program

Copyright, Assessment Threatens Interchange Of Ideas, Gentry Charges

Copyrighting of the National Bureau manuals and imposing the type of assessment that has been made for them is "contrary to the spirit of the rating laws and creates an unsatisfactory situation to which solution must soon be found," members of National Assn. of Independent Insurers were told by their outgoing president, Fenton A. S. Gentry, president Southern Fire & Casualty, in his address at the opening of the NAII meeting in Los Angeles this week.

F. A. S. Gentry

Impact Varies

The practical impact of the bureau program on the pocketbooks of NAII members varies considerably, depending on a number of factors, Mr. Gentry noted, but the entire association is greatly alarmed by the long-range implications. The NAII board and a special committee have had the matter under careful consideration. It was decided as a preliminaty step to seek to confer with the bureau management and appropriate committee. This has been done, first by invitation

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Richard Emerson, sales manager of Springfield, left, with three agents during the Springfield-Monarch conference committee meeting at Wagon Wheel Lodge, Rockton, Ill. The agents, from left, are Robert M. Penner, Batrice, Neb.; Wayne R. Bowsher, Terre Haute, and Nels E. Olson, Stock Yards agency, South St. Paul. The meeting was the first in a current series being conducted by the group. The informal seminars were led by Charles M. Fish, vice-president at the midwestern regional office. Agents expressed views on automobile, package policies, field service, homeowners, agency-company relations and trends in the business. Attending from the home office were Frank S. Vanderbrouk, president, and Raymond C. Swanson and Wilfred G. Howland, vice-presidents. Mr. Vanderbrouk emphasized the group's intention of strengthening lines of communications with agents.

FROM THE AMERICAN BANKER'S POLL:

Many Insurers Favor Larger Bond Denominations Than Usual $1,000

Many insurance investment men believe the customary $1,000 face amount on municipal bonds and some corporates should be supplemented by larger denominations. In a sampling of opinion taken by Howard Carswell, executive editor of American Banker, 84% of those responding favored a $10,000 or $25,000 trading unit, while most of the rest were in favor of a $5,000 unit. Only one respondent wanted to leave the face amount as it is.

Mr. Carswell himself has been waging something of a campaign against the $1,000 bond, on the basis that $1,000 has become too small an amount of money to be handled economically as a separate piece of paper. For instance, he points out, when California issues 100 million in bonds it must print and banks must handle 100,000 separate peices of paper. It should be noted that this is primarily a problem for the banks and that not all insurance companies consider it a difficulty. Some leave the handling of securities entirely to banks and some through private placements receive whatever face amounts they wish on securities.

Should the practice of the U. S. Treasury of issuing securities of varying amounts be followed?

Woodmen Accident & Life reported that "the market for bonds seems to become more and more of an institutional market and this practice should reduce handling costs."

Of those answering 77% said "yes." A negative vote came from Western Casualty & Surety, which responded that the variable approach depends on the existence of unsold bonds which can be used to exchange for bigger bonds. In the case of municipalities this would be impractical, the respondent feels.

Kansas City Life reported that vault space is a constantly worsening problem. General of Seattle and Gulf Life stated that all their bonds are handled in a custodian's account at a bank. What kind of decrease in bulk could be effected by raising the face amount to $5,000? Estimates range from 25% to 75%.

"We would purchase only the $5,000 denominations if they were in general use and considered 'good delivery'," the Employers Liability group respondent stated.

Would investment men prefer municipals in various multiples of $5,000? Here four answered that unless they were allowed the option of free exchange, they would be against the idea, while 56 were in favor.

New Hampshire Ins. Co. felt that a $10,000 multiple would work better than $5,000. Maccabees Mutual Life was in favor of $100,000 as a maximum denomination. "We would like to see this apply not only to municipals but also to corporate bonds," Maccabees said. National Life of Vermont "rarely buys in less than $100,000 lots and would like at least $50,000 coupons. However, the proportion of large coupons would be governed by the type of buyers."

Provident Life & Accident is not interested in small denominations." Berkshire Life thought that the $1,000 face amount bonds are only useful in cases where there are sinking fund calls.

On the question of the relative attractiveness of coupon as against registered bonds, 61 respondents felt that if the registered bonds were traded as actively as coupon bonds, they would prefer them. Five said they preferred coupons. American Ins. Co. stated that the advantage of receiving a check for interest, rather than having to clip coupons, would be a major consideration.

Home Names Sales Manager In Texas

Home has appointed Richard L. Urban sales manager for the territories

Richard L. Urban

Wm. J. Sachse Jr.

served from the Dallas and Lubbock, Tex., offices. William J. Sachse Jr. has been named sales manager for Houston and San Antonio office territories. They are the first two men to be named sales managers under the company's revamped marketing program.

The service and operational functions of the Dallas office will continue to be supervised by Earl M. Holt as administrative manager. These functions in the Houston office will be under Wesley P. Nabors, administrative manager, who has been state agent.

Clark M. Estes, state agent, continues in charge of the Lubbock service office and in supervision of the allied field. The service office in San Antonio and its field activities will continue under Everett C. DeWolfe, state agent.

The appointment of Mr. Urban and Mr. Sachse as sales managers reflects reorganization of marketing activities in line with the growing volume of Texas business and future potentials there. Mr. Urban will direct all marketing efforts in north and west Texas Mr. Sachse will have similar responsibilites in the south and southeast sections.

Mr. Urban joined the company in 1948 as an adjuster at Houston. He was later special agent at Lubbock and most recently state agent in charge of north Texas. Mr. Sachse was with Standard Accident at Houston before joining Home there last June as casualty manager. He has also had local agency experience.

Mr. Holt, who has been manager at Dallas since 1947, has been with the company since 1936. He was special agent at Lubbock and later state agent at Dallas before assuming his present duties. Mr. Nabors, who is advanced to administrative duties at Houston, has been with the company since 1936 as special agent and then state agent there.

Bradford Smith Hits Rating Inequities At AMA Fall Meet

700 Buyers Hear Panels, Speeches Covering Every Phase Of Risk Management

By JAY KOBLER

Close to 700 insurance buyers exchanged ideas on the rapidly evolving field of risk management, attended speeches and panels on that subject, and heard Bradford Smith Jr., president North America, lash out at the inequitable competitive advantage enjoyed in the U. S. by non-admitted insurers. The occasion was the lively fall insurance conference of American Management Assn. at the Drake Hotel in Chicago.

"In today's climate of dynamic change and intense competition, admitted fire and casualty companies are hamstrung by an expensive, restricive and time-consuming system of regulation," Mr. Smith charged. Every change in policy wording or variation in rate must be submitted individually to the departments of most of the 50 states before it can be effected. It generally happens that the forms finally approved will vary from one state to another, destroying uniformity.

Filing Is Difficult

The filing of required data is difficult, he pointed out, in the case of unique and unusual risks which by their nature do not lend themselves to statistical appraisal on past experience. Further, the designation of rating organizations as aggrieved parties makes possible a majority attack on the initiative of an individual insurer.

In considering the problem, Mr. Smith said, it must be recognized that surplus lines business is no longer limited to lines of insurance difficult or impossible to place in the American market. A few years ago when Lloyd's was virtually alone in the field, the reference to surplus lines had definite meaning. Now, however, non-admitted foreign insurers compete not only for true surplus lines business, but also for classes commonly written by admitted companies.

More recently, this competitive pressure plus the lure of freedom from regulation and taxes has brought forth a number of U. S. companies who operate in the same field as non-admitted insurers by becoming licensed in only one or two states. Other prominent insurers are writing business which used to be handled exclusively as surplus lines. This latter development has occurred in areas where regulatory authorities are more relaxed in their interpretation of the law and in the rules they impose.

30-Odd Non-Admitted Insurers

Notwithstanding the modest success of admitted companies in these areas, Mr. Smith said he could list 30-odd U. S. companies operating on a non-admitted basis. The principle reason for the growth of the non-admitted market, he believes, arises from its comparative exemption from regulation. He reviewed regulatory differences regarding rates, forms, countersignature laws and taxation, which

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Q. Mr. Kersten, what do you think of the Insurance Company of North America?
A. I believe in INA! As the leader in the design of new products and in the effective merchandising of package policies, INA has no peer!
Q. What new product impresses you most?
A. I think the Apartment Owners Policy rates highest with me, because as the leading property management firm in the Rocky Mountain area, we find it so exactly fitted to our needs.
Q. And the Office Buildings Policy helps, too?
A. Yes sir! These new package concepts were long overdue – and now that they are here we can use them to the benefit of a large number of our insureds.
As a leading real estate and mortgage loan firm, we find the Homeowners Policy a perfect adjunct to our service. We pioneered the Homeowners when it first reached Colorado six or seven years ago.
INA
INA field service is impressive. You have a staff of young men, and I know something of your training program that brings knowledgeable, aggressive guys to your Service Offices to help agents.
Q. Could you expand on these opinions?
A. I'd be glad to. Why not ask agents who want more information to write me, Bill Kersten, CPCU, Vice President, Van Schaack & Company, 1706 Welton, Denver 2, Colorado.

A testimonial banquet for Director Joseph S. Gerber of Illinois at the Ambassador West Hotel, Chicago, last week was attended by approximately 500 persons. In his five years in office, Mr. Gerber has become a national figure in the insurance scene; at the same time he is one of the most popular commissioners in the country.

Seymour B. Orner, president LaSalle Casualty, and Lawrence A. Berman of the Chicago law firm of Berman & Woodruff and former deputy to Mr. Gerber, were co-chairmen of the affair. Pictured at the banquet are:

Top—Messrs. Berman, Gerber and Orner.

Center—Mr. and Mrs. Gerber and Mrs. and Mr. Berman.

Bottom—Philip W. McDonald, assistant director; Mr. Orner; Vestal Lemmon, manager National Assn. of Independent Insurers, and George Connors of LaSalle Casualty.

Conn. General, Aetna Ins. Co. In 'Affiliation'

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$11.4 billion. Insurance sold last year was $1.6 billion, capital and surplus was $157 million, assets were $2,232,000,000 and net reserve stood at $1,564,000,000. Total premium income was $340 million.

Aetna Fire showed assets of $314.3 million, policyholders' surplus of $99.9 million, $168.7 in direct written premiums, and a combined loss and expense ratio of 98.8%, representing a considerable improvement over previous years. The combined ratio produced an underwriting profit of $317,000. The gain for the year, including investment income, was $8,371,000. Connecticut General had a net gain after taxes and dividends to policyholders of $14.6 million.

THACHER GIVES VIEWS

NEW YORK—Asked for comment on the proposed acquisition of Aetna Ins. Co., by Connecticut General Life, Superintendent Thacher of New York indicated that the department will study the proposal and then decide what action, if any, should be taken.

While Mr. Thacher would not say more than that about the specific proposal, he has indicated in statements since the department lost its fight to block Connecticut General from buying a fire-casualty company that he believes there are other grounds than those in Connecticut General's suit on which a life company could be barred from New York for buying a fire-casualty insurer.

For example, at the recent hearings held by the New York legislative committee on insurance rates and regulation, there was discussion of the advisability of amending the New York law to permit domestic companies to do what the Connecticut General

decision now permits out-of-state companies to do. Mr. Thacher emphasized the problem created by the lack of legislative standards as to what constitutes doing a prohibited class of business through a subsidiary and what doesn't.

Said Mr. Thacher to the legislative committee: "The only suggestion of standards offered by the court to this department is in the court's opinion, reading in pertinent part, 'if the time comes that appellant, through the guise of a subsidiary, actually engages in that business, that will be time enough to refuse to renew appellant's license.'

Would Impose Serious Problem

"Such a standard would impose a serious administrative problem on the insurance department—a burden that would be alleviated by more meaningful standards. Without them, there is real danger of erosion of the New York concept that a life insurer should not be permitted directly or indirectly to do business which is not related to the business of insurance on human lives."

Mr. Thacher suggested to the committee that the legislature should first consider public policy "with respect to the scope of permissible distraction from the essential business of life insurance that can be permitted in the case of a domestic insurer" and that when that is done it should be a simpler a task to delineate the reach of New York's requirement that out-of-state insurers must comply substantially with insurance law requirements applicable to domestic insurers.

Last June, shortly after the final decision in the Connecticut General case, Mr. Thacher said at a meeting of the National Assn. of Attorneys General that the court of appeals ruling did not cover such matters as the possible anti-trust impact of the acquisition of one insurer by another. He laid down no general rules but said each acquisition would be viewed on the basis of the facts involved.

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Criticizes Bureau Manual Program

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to their general manager to attend an NAII board meeting, which was accepted, and then, recently, by means of a conference between the staffs and a small committee from each organization.

NAII's general position on the basic questions involved, Mr. Gentry explained, begins with unequivocal opposition to anyone in the business—bureau, company or individual—to assert a property right in any so-called "work product," whether in the form of rates, rules, classifications, coverages or supporting data. Any information or material developed by anyone, including NAII, and filed with the state regulatory authorities, is and should be a part of the public domain—and therefore available for all to see, copy and use without restriction.

"We believe" he added "that one of the biggest factors underlying the tremendous growth and progress that has occurred in the casualty insurance business in the post-SEUA era has been the relatively uninhibited flow of ideas, information, concepts and material back and forth among the independents and between the independents and the bureaus. That healthy climate is now jeopardized by the action of the National Bureau."

Mr. Gentry commented that if the National Bureau can enforce a copyright in any or all of its filed material, then other bureaus as well as individual companies in the fire and casualty field are likewise entitled to enforce a copyright in the material they file, and many may feel motivated to do so. This can create an intolerable state of affairs, in which the first company or bureau to copyright its "work product" can assume a monopolistic position and any whose subsequent filings overlap will be in fear of infringement actions or demands for royalties. The small and medium sized companies will be placed in greatest jeopardy.

"It has been my sincere hope," he said, "that our good friends in the National Bureau, with whom we have always enjoyed the most harmonious and constructive relationships, and with whom we currently work side by side on a host of common industry problems, will be constrained to reconsider the course which they are pursuing.

"We do not suggest that companies which want the convenience of receiving a manual and reprint service from the National Bureau or any organization should receive that convenience without cost. It is one thing, though, to impose a reasonable charge for the accommodation of furnishing copies of a manual, and quite another to copyright the manual and impose the type of assessment that has been made. This is contrary to the spirit of the rating laws and creates an unsatisfactory situation to which solution must soon be found."

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Automobile Claims Assn., New York, at its dinner meeting there Nov. 21 will hear Solomon Bendet, principal insurance examiner in the complaint bureau of the insurance department, discuss the department's relations to claims adjustments.

Points To Pitfalls In Unorganized Insurance Buying, Cites Remedies

A surprising number of business organizations do not have a definite plan for purchasing and administering insurance, according to Bruce H. Suter, senior consultant of the insurance section of Ebasco Services' management consulting division. In a talk at the annual seminar in St. Louis for buyers of business insurance, he noted that the lack of planning has deleterious effects. The meeting was sponsored by St. Louis chapter of CPCU in cooperation with Associated Industries of Missouri and the University College of Washington University.

Mr. Suter recalled a case where a manufacturer had a long list of cameras insured for full value in one policy, yet his contents were subject to a $25,000 deductible in another policy. Another company did not insure building values under $20,000 but carried full coverage on damage to its autos.

Inconsistency Cited

Too often company policies are established by past practices, Mr. Suter noted. One $300 million industrial concern has been providing full insurance coverage for "doctor and home calls" under its group policy ever since the president's son broke his arm and the father had to pay the full bill, yet daily benefits for hospitalization remain at only $6. Still another company has been carrying broad form water damage because 15 years ago the water tank on the roof developed a small leak and most of the water came to rest on the chief executive's desk. While these are only a few examples, they indicate inconsistencies which may develop in the absence of any over-all guiding principle in the purchasing of insurance, Mr. Suter declared.

Although many companies have centralized their insurance program activities, many others have not. A recent survey of 189 multi-unit companies revealed that 34% carried on insurance administration at local levels. Another survey of 65 single-unit companies indicated that less than 80% centralized their insurance function. A third survey of 23 companies, selected at random, indicated that only five handled all of their insurance functions through a single department, Mr. Suter said.

Because corporate insurance operations include a considerable element of the purchasing function, there has been a tendency to include insurance in the over-all decentralization of purchasing activities. This, plus a carry-over from the days of regarding insurance as a subsidiary function of some office or division, probably accounts for the degree of decentralization found today.

Centralization Vital

Mr. Suter emphasized that insurance purchasing must be centralized in order to realize maximum economy. In this connection he noted that the insurance function of one of the world's largest electrical manufacturers is the only operation in the company that continues as a single centralized department.

Administrative problems brought about by decentralized insurance activities were illustrated by the situation which existed in a company in Oklahoma. In this instance, workmen's compensation and employe benefit insurance were administered by the personnel department; crime insurance was handled by the secretary-treasurer; claims were processed by the legal department; and the president handled all fire prevention work. The insurance manager was responsible to a vice-president for all remaining coverages, and over-all coordination of the program. Yet he was expected to report to five bosses and still do an effective job.

Uncoordinated Efforts

Mr. Suter cited the disadvantages of a lack of coordination by examples. A small South Carolina corporation and its subsidiary company had separate employe benefit programs. At Ebasco's suggestion, both programs were combined and coverages broadened, with a $19,000 savings in premiums. A Pennsylvania manufacturer, whose plants arranged their own insurance, maintained $3 million liability limits at the main plant but some of the branch managers carried only $500,000. In another case, one division of a company carried fidelity insurance on its employes while another division carried none but purchased theft coverage on its petty cash.

These administrative considerations and examples show that responsible and economical insurance programming requires a qualified professional buyer who has a complete set of records and is given the freedom of operations that his responsibilities justify. The most efficiently managed and economical insurance program thus contemplates centralized control, administration on a corporate-wide basis and a uniform insurance philosophy determined by top management, Mr. Suter explained.

For some reason, conferences and inspections are not fully utilized by

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Have Control Over Commissions, McConnell Tells Cal. Agents

LOS ANGELES—The theory that he has no authority over commissions is a falsehood, California Commissioner McConnell told the annual meeting of California Assn. of Insurance Agents here.

As reported in last week's issue of THE NATIONAL UNDERWRITER, Harry R. Schroeter Jr., Oakland, was elected president and state national director; C. H. Reifenrath, Redwood City, was appointed president, and Lyle Huggins, Long Beach, secretary-treasurer.

Mr. McConnell said that under the McBride-Grunsky rate regulatory act, the commissioner has jurisdiction over the gross rate and if that rate contains the element of commission to agent and broker, correspondingly he has regulatory authority over that commission.

A second point made by the commissioner was that at the present time the California department is of the opinion that the new experience and schedule rating plan of National Bureau is unlawful in California. He said, however, that he is interested in giving the plan additional study.

Register Opposition

Organized agents in the state have registered opposition to the plan partly on the grounds that it would permit employes of large organizations, chain stores, etc., to use their private automobiles in the business, to be reimbursed by their employers, and to have their automobiles insured under the employer's master policy. This, the agents contend, would mean the loss of a large volume of individual automobile insurance business now served by them—and with the bulk of this business going to the larger brokerage companies specializing in the larger commercial risks.

Commissioner McConnell also attacked what he termed a trend toward socialism in the insurance business by, generally, the government. He said the good name of insurance is being "stolen" by the federal government's Health, Welfare & Education Department—which apparently, he said, has as its objective the destruction of insurance as a private enterprise. He said it was time the insurance industry became active in stemming this tide.

H. H. Hendren, Sacramento, was presented with the Ramsden memorial award "for meritorious service to insurance in California" at the banquet. The award was created in 1959 by the Oakland association to be awarded to an individual either in or outside of the insurance industry.

Mr. Hendren was president of CAIA in 1941 and has long been active in association work as chairman of CAIA's legislative committee. He has been instrumental in developing the "key man" program upon which the agents association's political and legislative activity is based. So effective has this grass-roots program become that in 1961 a separate "key man" committee was established to work in cooperation with the association's legislative unit.

Mr. Schroeter's father, the late Harry R. Schroeter Sr., was president of CAIA in 1927 and three of the new president's current business partners also are past presidents of the association. They are Elmer White (1938), Neal Harris (1944) and George O. Johnson (1953). In addition, two early CAIA presidents—I. H. Clay (1908-1910) and L. S. Hotchkiss (1918)—came from the Schroeter, White & Johnson agency.

Mr. Schroeter has been in the agency business since 1946. He is past president of Oakland Assn. of Insurance Agents and has been chairman of two CAIA committees—the fire and allied lines and finance groups. He was named secretary-treasurer in 1959 and moved up to vice-president at last year's convention in San Fran-

Vice-president Reifenrath has been a partner in the Boring-Werder-Reifenrath-Greenwold-Vreeburg agency since 1952. He has been secretary-treasurer of the Redwood City association since 1954 and has served on CAIA's board since 1957.

Mr. Huggins is a past president of the Long Beach association and has been on CAIA's board since 1958.

As president last year, Mr. Schroeter headed the California association's most successful fund raising effort in the five year history of the Big I advertising campaign.

Eyes WC And The Litigation Bogey; Puts Rehabilitation In Perspective

Some of the criticism leveled at the New York workmen's compensation system is doubtless deserved; some of it is constructive; much of it is fanciful. A close examination will reveal that some of the criticism is misguided and uninformed, Benedict T. Mangano, Albany attorney, stated in an article prepared for the New York State Bar Journal.

Mr. Mangano said that a New York University "study team," while specifically disavowing any mandate to make recommendations concerning the problem of controverted cases, nevertheless, went out of its way to conclude "that the main purpose of much litigation is to secure the bargaining advantages inherent in the delays and controversies over causal relationship and in litigation." The report asserts that these considerations result in severe economic pressure upon claimants, and underlie many settlements," thus evincing a total lack of understanding of the nature of the litigation and the legal basis of settlements. One may be pardoned for expressing the wish that the study team had stayed within its mandate, Mr. Mangano observed.

Disputes Doctor's View

He recalled that a noted physician in a recent column in the New York Times concluded that there is a conflict between the monetary aspects and medical and rehabilitation aspects of workmen's compensation, stating: "This conflict can be resolved only through making the provision of medical care and rehabilitation the primary aim of compensation, in accordance with the need of each claimant and irrespective of the effect such care may have upon the monetary settlement of the claim."

Dr. Alexander P. Aitkin, professor of orthopedic surgery, Tufts University School of Medicine, has been equally outspoken. He has said that it is axiomatic that rehabilitation is not compatible with litigation and that both cannot flourish under the same compensation system.

Throughout these comments there is an implied assumption that the only thing that stands between a claimant and rehabilitation is litigation. This attitude toward the administration of WC is of special significance to the bar in view of the widespread interest in proposals to substitute a WC type system for the processing of automobile negligence claims, Mr. Mangano said.

Clarifies Litigation

But litigation is not by any means the devil it is so often made out to be, he continued. Much litigation occurs long after the need of treatment or rehabilitation has terminated, even years after. It may involve a claim of continuing disability. Not infrequently it may involve testimony to prove work activities in the face of persistent denials of employment. It may involve issues of rate, earnings or liability of the special funds.

The undeniable fact is that where the litigation is between the claimant and insurer most, if not all of it, involves nothing more nor less than a claim for monetary benefits. The percentage of cases controverted on the issue of compensability in the first instance is relatively small. It is wholly unwarranted to suppose that injured workmen are languishing helplessly awaiting "rehabilitation" while their claims for benefits are being "litigated."

Some Aspects Over-Emphasized

It may be that some aspects of the litigation process have in the past been over-emphasized. This is now being corrected by changes in organization and procedure calculated to avoid unnecessary hearings, Mr. Mangano reported.

Reduction and elimination of unnecessary hearings is something quite different from abolishing litigation, he observed. "So when we hear complaints from the 'social scientists' about the system being too litigious, we had better take a long look at the other side of the coin. When we do, we shall find that there is more than a casual flirtation with what they choose to call the 'clinical' system, under which rehabilitation will be the primary goal, with the sordid monetary aspects subordinated."

Objections which have been leveled at the proposed implementation of some current thinking on rehabilitation have been based upon the constitutional grounds of due process and the right to cross examination. These

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AT AMA MEETING:

Tells Buyers They Need Ingenuity, Thought, Care To Handle Risk Problems

Handling insurance for a corporation, whether as risk manager, insurance manager or part-time buyer, requires ingenuity, thought and constant reivew of the corporation's operations and of the coverage provided, "with a dash of dreaming thrown in." This was the view expressed by Ernest L. Clark, president Corporate Advisors, New York, at the fall insurance conference of American Management Assn.

The buyer should frequently study changes in hazards, insurance markets and in the corporation's financial position to be sure the insurance program takes advantage of new coverages and amendments, Mr. Clark said. Too often a program is decided upon, accepted and then regularly renewed without reviewing the possibility that it needs changing.

Some Principal Problems

Mr. Clark discussed some of the principal problems giving rise to the need for study and up-dating of insurance plans and most often overlooked.

The decision whether to insure replacement values of buildings and machinery, for instance, is one which the risk manager usually makes, based on his estimates of whether advantages offset the cost of carrying this insurance. There is no doubt that such coverage simplifies the adjustment of a loss, Mr. Clark said. The amount an insurer wants to deduct for depreciation has caused great trouble and disagreement in settling losses.

As far as state institutions, school buildings and similar properties are concerned, replacement value is important, he stressed. If there is a loss, the building must be replaced. These institutions rarely have funds available to pay for a new building, the cost of which is invariably greater than the sound or depreciated value of the building it is replacing. Insurance is the best source of funds to cover this need.

Must Weigh Risk Assumption

In the case of commercial properties, the insuring difference between depreciated value and replacement cost is as important as the sound value, Mr. Clark pointed out. To insure only sound value is a form of assumption of risk which must be weighed with the consideration of whether a part of the corporation's program should involve self-insurance and, if so, how much. A corporation with many locations and plenty of liquid funds may readily decide to carry only sound value insurance. But when a corporation's liquidity is depleted by business conditions, expansion or other situations, then replacement insurance is the answer, Mr. Clark opined.

Today's market offers possibilities of buying insurance with a deductible or franchise for almost any form of fire coverage. Even the small or medium-sized business can afford to self-insure or self-assume some part of its risk. The range of deductibles offered changes quite often, and Mr. Clark advises buyers to find out what is available for each kind of risk and how much saving it will effect in the immediate market.

To Appraise Or Not Appraise

A common subject among risk managers, he said, is the source of values used for building and machinery insurance. Often a buyer will say he is not interested in having appraisals made of his buildings or machinery because he has blanket coverage without coinsurance adequate to meet the biggest single loss that can be sustained.

However, Mr. Clark warned that when it comes to settling a loss, it is important that records be available that will fix the exact details and values of buildings and machinery before the loss. The appraising may be done by the corporation's own engineers, an independent contractor, one of the standard appraisal companies, or the appraisal department of an insurance company. This is one angle many buyers overlook until they are unfortunate enough to have a loss and find the insurer insists on the claims being substantiated with facts and figures, Mr. Clark observed

Should Reflect Changes In Plant

The record kept should reflect changes in plant, which usually occur frequently, he said. Some buyers depend on appraisals made 10 or 12 years

Mr. Clark described use and occupancy insurance as a line requiring constant study and a great deal of imagination. The whole operation of a plant, from raw materials to finished product, must be carefully considered to make sure the possibilitites of U&O loss are fully covered under various policies.

Some of the questions a buyer must consider are: Are raw materials readily available from more than one sup-

(CONTINUED ON PAGE 52)

YOU DON'T HAVE TO BE A GROUP EXPERT TO SELL THIS MAJOR INA "FRINGE BENEFIT"

Ten employees, or ten thousand—voluntary contract is easy to sell

Since the Insurance Company of North America's OK Accident Policy was announced recently, agents and brokers have sold it with ease to organizations of all kinds and sizes.

The reasons for the success of this unique accidental death and dismemberment group contract are simple:

1. **Management wants it.** This new contract is so ideally suited to the requirements of so many concerns that it meets zero sales resistance.
2. **It costs management nothing** yet it gives management a big chance to help their employees, after machinery is geared to make a payroll deduction. The employee assumes the full cost, pays all premiums.
3. **"Voluntary" is the key word.** In companies which have adopted it, an average of 60% of those to whom it was offered have signed up.
4. **It is flexible.** The OK Policy can be written for groups as small as ten, as big as 20,000 or more. Its coverage limits span the spectrum from $5000 to $100,000.

The market starts with firms which employ ten or more people, also includes federal, state and local government agencies, plus many associations and educational institutions.

Participating companies have found interest at all levels of their organizations, not only among those with hazardous jobs. As one executive commented, "Stenographers trip over open file drawers, too, we've found."

The OK Policy has all of the advantages of group accident and sickness contracts with none of the limitations. Outstanding features are: non-underwriting of individuals, no participation requirements and the simplicity of the contract itself.

Best of all, the OK Policy is a prime income producer for the agent or broker who sells it.

The professional A & S man in your nearest INA Service Office is the best source of further information on the OK Policy. He can also describe INA's facilities for Business Travel and Salary Continuance. Or, send the coupon direct to INA. Either way, don't wait to claim your share of this promising new market.

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Gallagher Suggests Agents Agree On Fundamentals In A 'Bill Of Rights'

There may be reason for agents to consider drawing up a "bill of rights," because apparently some of their inherent rights are being disregarded in the present conduct of the insurance business, Eugene F. Gallagher, manager Chicago Board of Underwriters, suggested in his talk at the annual meeting of Kentucky Assn. of Insurance Agents at Louisville.

Some of the fundamental points on which agents might agree, he said, would include:

1. An understanding with companies that they would exercise judgment in the appointment of agents. The business, Mr. Gallagher declared, is replete with cases of individuals who are entirely unqualified, without knowledge of the business, appointed by companies in certain areas only eventually to cause so much trouble that the company must cancel them with all of the expense which has been incurred in their appointment and handling their business. The agents' chief concern is not only that it constitutes an unwarranted expense against the business as a whole but that the appointment of every unqualified and incompetent agent reflects adversely upon the entire agency system.

2. Agents have a right to expect the company they represent to be in the insurance business. That is to say, the company's object should be to write insurance in such a way that it produces a reasonable and acceptable underwriting profit and not to disturb the market simply to obtain premiums to place in the investment portfolio.

3. Agents have a right to insist that companies discuss commissions on the basis of private contract and have a right to resent a mere mimeographed notice that commissions on certain lines are being cut as of a certain date. Mr. Gallagher observed that agents on the whole are reasonable, "and these commission cuts, if explained properly, may be quite acceptable, but just to put them out without any discussion or consideration is not palatable."

4. Agents have a right to expect their companies to support the American agency system. "That sounds elementary," he remarked, "and yet sometimes one gains the impression that the company's position is, We support the American agency system as long as it doesn't cost us any opportunity to get business,"

5. "We believe we have a right to have a better degree of communication than now exists. Perhaps the answer is to have conferences at other than the summit level—with people who actually know the agency business and who are aware of his day by day problems."

6. Agents have a right to expect an understanding attitude on underwriting—an effort on the part of the company to find a way to write an offering rather than an arbitrary declination without any sound reason being offered.

Obligations Are Imposed

As with all rights, Mr. Gallagher said, certain obligations are imposed. The company has every right to look to the agent to produce a quantity of quality business—to do some underwriting at the source and not to expect the company to accept lines which the agent himself feels should not be written. The company has a right to expect the agent to be qualified—to learn coverages available and to serve the public in such a manner as to reflect credit on the business.

"I think further that companies have a right to expect the agents to be cooperative in an effort to solve some of the serious problems which confront the business as a whole," he added. "I believe that most agents are reasonable in such matters and if they are shown that the ultimate good of the business will be accomplished only by some temporary sacrifice on their part, they would be willing to see that these sacrifices are made."

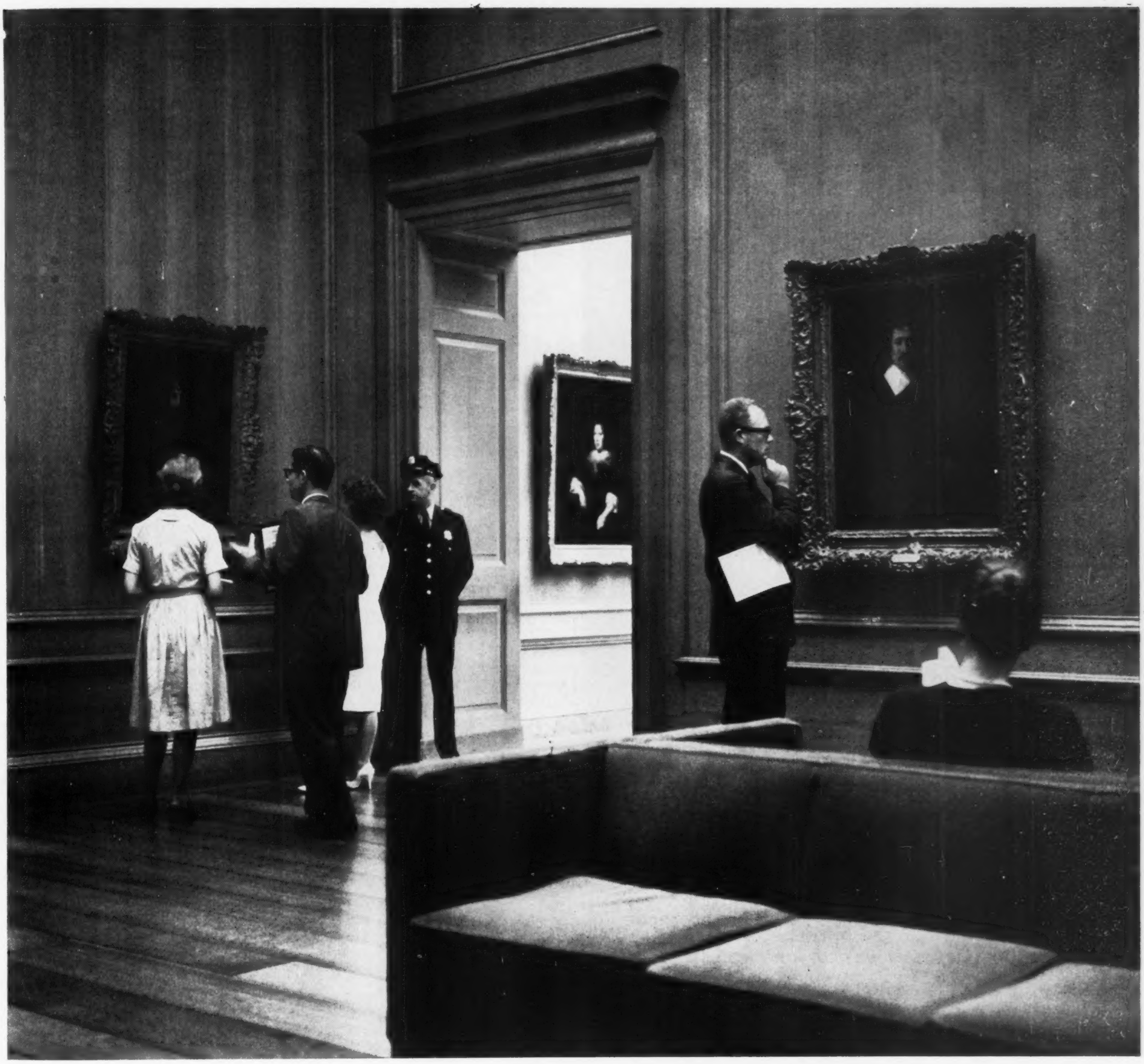
The many changes which insurance

(CONTINUED ON PAGE 32)

Carolina CPCUs Elect

Mrs. Hilda H. Tucker of Durham Realty & Insurance Agency was elected president of the Carolinas' CPCU chapter at its annual in Raleigh. Mrs. Tucker is a former president of the Durham Exchange. Other CPCU officers are Frank J. Schwentker of of the school of business administration University of North Carolina, vice-president; A.H.A. Williams III, manager insurance department of Collier Cobb & Associates, Chapel Hill, secretary-treasurer. Directors are Ray Galloway of Raleigh, Fred Carleton of Columbia, S.C., and Robert H. King of Raleigh.

Hilda Tucker



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At last, one of the world's rarest collections of art treasures was together under one roof. Behind the opening of the National Gallery of Art in Washington, D.C., lay many years of intensive planning . . . huge expenditures.

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Sales Jobs Must Have Management Slant, Especially For Young Men

The "New Potentials in Salesmanship" result from the management factors that have been added to the salesman's job, according to Eugene B. Mapel, vice-president marketing, Chase Manhattan Bank. Capturing these potentials—changing them from latent opportunities into authentic accomplishments—will depend on the ability of individual salesmen to use the management content in their jobs with precision, skill and resourcefulness. Another vital factor is the capacity of managements to give salesmen easy access to the resources they must utilize to sell in today's markets.

Mr. Mapel, who spoke at the Boston Conference on Distribution, sponsored by universities in Massachusetts, said that selling practices inevitably respond to changes in markets, or that "they'd better respond." Businesses which grow and prosper are the ones which first detect market changes and suitably shape their selling practices.

Defines Features

There is a management content in today's sales jobs because it is necessary for survival. Today's salesmen must use knowledge, information and resources beyond mere persuasion in order to consummate a profitable sales. There are, and there will continue to be many sales jobs with no management content but they are declining in relative importance, Mr. Mapel maintained.

e used as an example, the field of industrial equipment, where it isn't enough for a salesman to be able to evaluate for this prospect the relative merits of buying, leasing or borrowing money to buy the product. There are probably more machine tools sold today by salesmen utilizing depreciation information and financing techniques than could be sold on the basic of cutting speeds, feed time, and output.

What Purists Might Maintain

The purist might say that these things are not management. They point out that management is the art of getting work done through others, and, therefore, the individual salesman who has no subordinates cannot have any managerial content in his job. If the purists want to restrict the use of the word to getting work done through organization subordinates, they may. But, today's sales jobs do have an increasing management content because of the very fact that management is getting work done through the effort of others. The salesman must decide which of the business's resources can be profitably applied to making a sale.

Today's prospects do not limit themselves to evaluating a product's demonstrable, functional benefits. The prospect's engineers will evaluate its life expectancy. His accountants will evaluate various financing alternatives. His production experts will consider the problems of integrating the individual item into a total production system. His marketing or purchasing staff will undoubtedly want to know what reciprocity is involved. To meet

(CONTINUED ON PAGE 56)

Conventions

Dec. 4-8, National Assn. of Insurance Commissioners, winter meeting, Adolphus Hotel, Dallas.

Dec. 27-29, American Risk & Insurance Assn., annual, New York City.

1962

Jan. 31-Feb. 4, Federation of Insurance Counsel, midyear, Grand Bahama Hotel, Grand Bahama Island.

Feb. 8-9, Conference of Mutual Casualty Companies, fire & inland marine, Conrad Hilton Hotel, Chicago.

Feb. 12-14, Health Insurance Assn., group insurance forum, Drake Hotel, Chicago.

Feb. 14-16, Michigan agents, annual, Sheraton-Cadillac Hotel, Detroit.

March 22-23, Conference of Mutual Casualty Companies, underwriting, Conrad Hilton Hotel, Chicago.

March 27-30, Pacific Insurance & Surety Conference, annual, El Mirador Hotel, Palm Springs, Cal.

April 8-10, Wisconsin agents, annual, Schroeder Hotel, Milwaukee.

April 9-10, Ohio mutual agents, annual, Biltmore Hotel, Dayton.

April 11-13, Southern Claims Conference, annual, Sheraton-Charles Hotel, New Orleans.

April 19-20, Missouri mutual agents, annual, Governor Hotel, Jefferson City.

April 30-May 1, New York mutual agents, annual, Hotel Syracuse, Syracuse.

May 3-4, Conference of Mutual Casualty Companies, claims, Conrad Hilton Hotel, Chicago.

May 3-5, Tri-State mutual agents of Pennsylvania, Maryland & Delaware, annual, Du-Pont Hotel, Wilmington, Delaware.

May 6-8, Alabama agents, annual, Admiral Semmes Hotel, Mobile.

May 6-8, Iowa agents, annual, Hanford Hotel, Mason City.

May 7-9, Health Insurance Assn., annual, Denver Hilton Hotel, Denver.

May 7-11, National Assn. of Independent Adjusters, annual, Fontainebleau Hotel, Miami Beach.

May 8, Assn. of Casualty & Surety Companies, New York City.

May 13-16, New York agents, annual, Concord Hotel, Kiamesha Lake.

May 17-18, Arkansas agents, Arlington Hotel, Hot Springs.

May 17-19, Mutual agents of Virginia & D.C., annual, Thomas Jefferson Inn, Charlottesville, Va.

May 21, National Assn. of Mutual Casualty Companies, annual, Edgewater Beach Hotel, Chicago.

May 21-23, American Mutual Insurance Alliance, Edgewater Beach Hotel, Chicago.

May 21-25, National Fire Protection Assn., Society of Fire Protection Engineers, and Fire Marshals Assn. of North America, annuals, Sheraton Hotel, Philadelphia.

May 24, National Board of Fire Underwriters, annual, Commodore Hotel, New York.

May 27-30, American Assn. of Managing General Agents, annual, The Greenbrier, White Sulphur Springs, W. Va.

May 30-June 1, Florida agents, annual, Fontainebleau Hotel, Miami Beach.

June 3-6, Insurance Accounting & Statistical Assn., annual, Royal York Hotel, Toronto, Canada.

June 5-8, New Hampshire agents, annual, Mt. View House, Whitefield.

June 14-16, Mississippi agents, annual, Edgewater Gulf Hotel, Edgewater Park.

June 17-20, Conference of Mutual Casualty Companies, management, Jackson Lake Lodge, Jackson Hole, Wyoming.

June 18-22, National Assn. of Insurance Commissioners, annual, Queen Elizabeth Hotel, Montreal.

June 20-22, Georgia agents, annual, Corsair Motel, Jekyll Island, Ga.

June 20-24, National Assn. of Public Insurance Adjusters, annual, French Lick-Sheraton Hotel, French Lick, Ind.

June 21-22, Wisconsin mutual agents, annual, Alpine Hotel, Egg Harbor.

June 24-27, Insurance Advertising Conference, annual, The Lido Hotel, Long Beach, Long Island, New York.

June 24-27, International Assn. of Health Underwriters annual, Fontainebleau Hotel, Miami Beach.

June 25-28, Virginia agents, annual, Cavalier Hotel, Virginia Beach.

July 12-14, International Assn. of Insurance Counsel, annual, Greenbrier Hotel, White Sulphur Springs, W. Va.

July 29-Aug. 4, NACCA Bar Assn., annual, Denver Hilton Hotel, Denver.

July 31-Aug. 3, Federation of Insurance Counsel, annual, Hotel Vancouver, Vancouver, B.C.

Aug. 19-22, West Virginia agents, annual, Greenbrier Hotel, White Sulphur Springs.

Sept. 9-12, Pennsylvania agents, annual, Pocono Manor Inn, Mount Pocono.

Sept. 10-12, Washington agents, annual, Davenport Hotel, Spokane.

Sept. 12-13, Utah agents, annual, Newhouse Hotel, Salt Lake City.

Sept. 13-14, Conference of Mutual Casualty Companies, sales & agency, Conrad Hilton Hotel, Chicago.

IAC Midyear Focus On Communications

Insurance Advertising Conference will hold its midyear meeting Dec. 7-8 at Hotel Delmonico in New York. Theme of the meeting is "communications in depth."

First day speakers will be Herbert Kirschner, San Francisco advertising and public relations man; Jerry Friedland of Look magazine, who will discuss that publication's automotive survey as it relates to insurance; Eugene Mapel, vice-president Chase Manhattan Bank. Kenneth Crawford of Newsweek; A. Arthur Cullman, Ohio State University, and C. D. Jackson, publisher of Life.

Appearing on the second day will be John P. Kelley, advertising director Goodyear Tire & Rubber Co.; Frank Schaffer, vice-president Doremus & Co., and Samuel Boggs, ad and PR director North America.

—

Phoenix of London has named **Eugene W. Dressler** state agent in Ohio.

Program Ready For Teachers' Annual

American Risk & Insurance Assn., will hold its annual meeting Dec. 27-29 at the Biltmore Hotel, New York. The first day will be devoted to an executive committee meeting. On Dec. 28 American College and American Institute will hold their annual breakfast.

Has the life insurance company product become obsolete will be the subject of a panel Thursday morning. Kenneth W. Herrick of Texas Christian University chairman. Panelists are Robert I. Mehr of University of Illinois, Meyer Melnikoff of Prudential, and Robert W. Osler of Underwriters National. John F. Adams of Temple University will preside over a discussion of research.

The discussion of the emerging science of risk and insurance Thursday afternoon will have Edwin S. Overman of American Institute as chairman. Contributions to risk and insurance theory by the field of economics will be discussed by James L. Athearn of University of Florida, by philosophy by Donald R. Childress of University of Oklahoma, mathematics by William M. Howard of University of Florida, and law by Oscar R. Goodman of Northwestern University. Toward a Psycho-Dynamic Theory of Risk and Insurance will be treated by Irving Pfeffer of University of California. That evening Mr. Adams will lead a round table on research.

Auto Liability

On Dec. 29 Grant M. Osborn of Arizona State University will be chairman of a session on law, insurance, and the auto accident victim. John W. Cowee of University of California at Los Angeles will discuss the problem, and William Knepper of International Assn. of Insurance Counsel will defend the present legal system. Arne Fougner of Christiania General will discuss rehabilitation, and Robert A. Rennie of Nationwide Mutual will furnish the results of that groups' family compensation coverage. William McCrae of American Mutual Insurance Alliance will treat legal aspects of alternatives to the present legal system, Mr. Adams will deal with social and economic aspects of alternatives, and Willis Rokes of University of Omaha will discuss the Saskatchewan plan.

Wilbur J. Cohn of the U. S. Department of Health, Education & Welfare will talk on health insurance and the government at the luncheon, where Michael Wermel of University of Hawaii will be chairman. The annual business session will follow.

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Lefebvre To R.I. Assn. As Hughes' Assistant

Claude F. Lefebvre has joined Rhode Island Assn. of Insurance Agents as assistant to George C. Hughes, executive secretary and treasurer.

C. F. Lefebvre

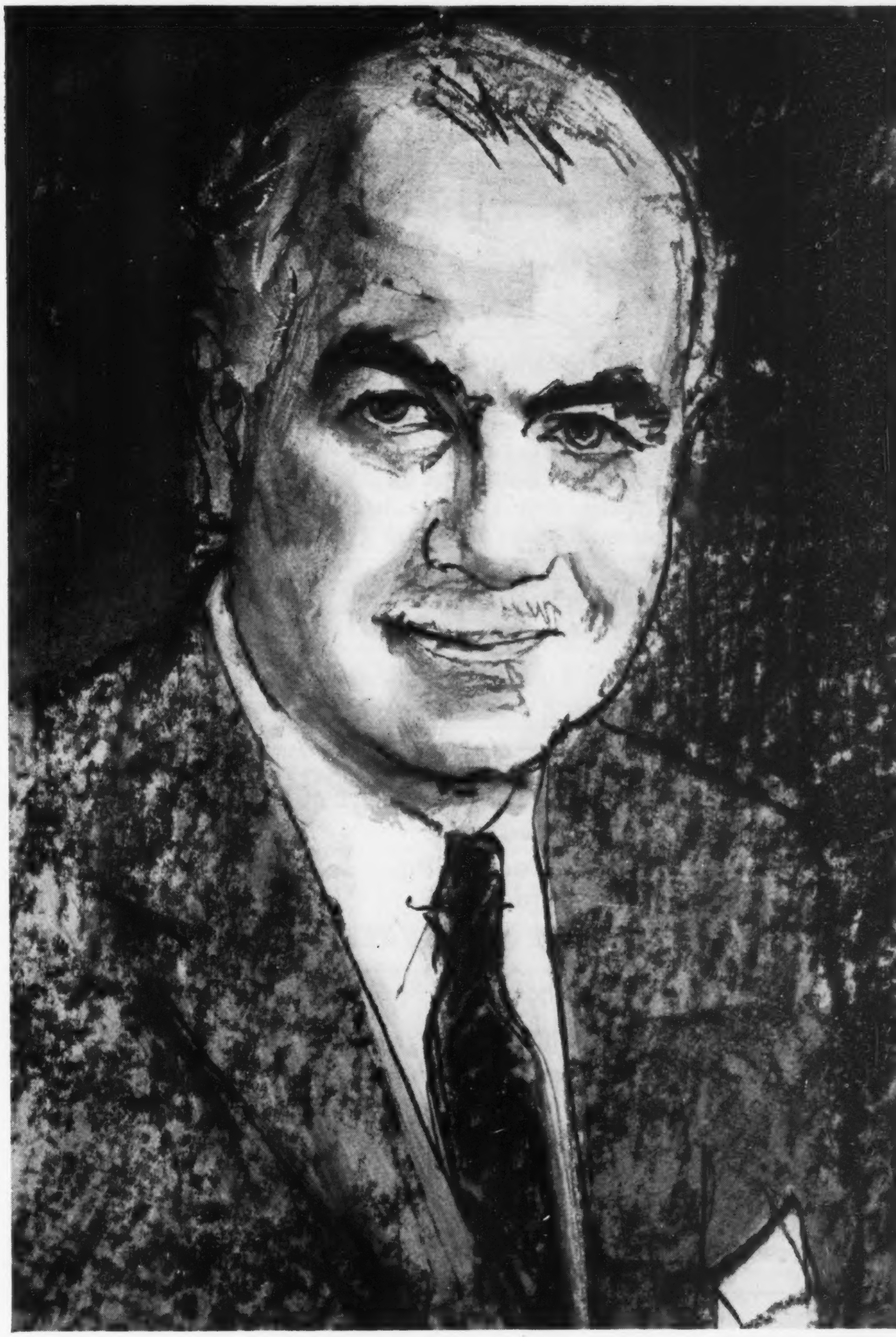
Mr. Lefebvre has been a sales representative in a family-owned dairy feeds brokerage business in Rhode Island. A graduate of Providence College, he is studying law at Suffolk University, Boston. His experience includes administrative work in public information while he was in the army.

—

Telephone Employees Buys

Telephone Employees Ins. Co. of Baltimore has purchased Telco Ins. Co. of Atlanta. Both specialize in writing auto casualty for telephone company employes and other preferred risks. The Baltimore company had assets at last year end of $1.1 million and earned premiums in 1960 of $27,600. Telco had assets of $331,889 and earned premiums of $60,559.

Another distinguished client for Nationwide Group Insurance



MEET MR. ALBERT PICK, JR., distinguished client of Nationwide Group Insurance. As president of the Pick Hotels Corporation, Mr. Pick directs the complex affairs of one of America's best-managed chains, consisting of 33 hotels and motels in 30 cities. A progressive-minded company, Pick Hotels rely on America's most progressive insurance organization—Nationwide—for their group coverage. Again this year, a Nationwide group health and welfare program covers executives and employees of the growing Pick chain. Join the distinguished company of business leaders like Albert Pick, Jr. Why not check Nationwide for *your* client's group needs? Your local Nationwide group man has a variety of plans—including regular group, creditor's, association, blanket, pension and profit sharing. For full details on plans for *your* client, write: GROUP SALES, DEPT. N, NATIONWIDE INSURANCE, 246 N. HIGH ST., COLUMBUS 16, OHIO.

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800 Attend Ill. Agents' Convention

Parrish, Mullins Speak Out On Agent And Company Relations And Rate Regulation

At the annual meeting of Illinois Assn. of Insurance Agents, both Harry C. Parrish, Paris, president, and H. W. Mullins, Rockford, state national director, in their annual reports, touched on the prior approval-no prior approval controversy and the stand of the Illinois association. This phase and other portions of their reports are handled jointly herewith.

Mr. Parrish said that the year had been one of change and that next year will be another of the same. He said he wished he could tell the membership of some great thing the association accomplished during the year, but there was no single outstanding event of this nature. "We have attempted however, to develop a philosophy of production and progress. While we do not approve all policies, rate and commission changes, we recognize that we cannot serve the market of tomorrow with the products of yesterday and successfully stay in business.

Must Stick Together

"By the same token, although we think the companies have in some instances treated us harshly and without much forthought, we are aware that the survival of the agency system depends upon the agents and companies sticking together. For these reasons, at every opportunity we have attempted to follow a pattern which would assert our independence and professionalism and yet recognize that we are first of all salesmen and that we must not let our industry price itself out of the market, as a few others have done in the postwar years."

For example, he said that while many of the members are against direct billing and continuous policies, it is only realistic to say that the association believes that this is a matter to be decided by each agent as the situation dictates. "We thought it a little unbusinesslike for our association to pronounce that it was against a system which many of its members are using and seem to prefer. In this light, your state national director was authorized to report to the national association that Illinois did not want to go on record as being opposed to direct billing and continuous policies."

Mr. Parrish said that the association on every occasion has tried to cooperate with the companies. "Lest this sound dangerous to some of you," he said, "I hasten to add that we have never once surrendered our principles as independent agents. However, as salesmen, we are interested in income and in profit, and while we have tried to work with the companies, we did let them know that we did not appreciate their philosophy when they reduced commissions on homeowners and auto policies."

Stand Could Be Misinterpreted

He went on to say that the association took a stand this year which was announced at the national meeting in Dallas and which could possibly be misinterpreted. "As you know, many of our companies have been advocating a no prior approval or file and use rate law. . . The opponents of this plan say that it would wreck our business with flash filings for the purpose of stealing a given risk, etc. Your state national director proposed a compromise plan and submitted it to the State Board of National Directors at Dallas, where it was politely ignored.

". . . We are trying to work with our companies and not against them. If companies and agents are to survive, they must work together. Therefore, our statement means that we are will-

(CONTINUED ON PAGE 62)

Gerber Gives Views On Changes In The Insurance Business

The fire and casualty business is experiencing the most aggressive and most stupendous changes it has ever known, Director Joseph S. Greber of Illinois told the Illinois agents at the annual meeting. This is not only true in the fire and casualty business, he continued, but the life field is in a very definite transition period today. Actually, big changes have taken place in practically all fields of the American economy. There has been a "planned obsolence" for some time, he said, to make the public anxious to go out and buy something new.

Every American is living better and wants to live still better, but only so much can be done with a fixed salary, said Mr. Gerber. Thus, there has arisen the business phenomena of buying at discount. "This was introduced into the insurance business quietly by some of your competitors who have used it very effectively," he averred. "Now, if you are to succeed, you must realize the stock companies have a tremendous burden on them. The fire and casualty business is going through the throes of experimentation with new ideas, new concepts. Packaging is but one of them and will continue. It is a tremendous competitive weapon—an effective bargaining weapon."

Packaging may go even further, said Mr. Gerber. A&S and hospitalization

(CONTINUED ON PAGE 59)

Eugene F. Gallagher, manager Chicago Board of Underwriters (third from left), and Mrs. Gallagher, with (from left) George R. Tessmer, secretary American Home Agency of Illinois; Edwin G. Rose, assistant secretary, and George R. Pape, vice-president, both of Newhouse & Hawley. All are of Chicago.

Name Woodworth President, Sprague Goes Into Line

Assn. States At Meeting Some Form Of No Prior Approval Not Unacceptable

By WILLIAM H. FALTYSEK

ST. LOUIS—In addition to making it clear that in the interests of the business it would not be against some form of no prior approval, Illinois Assn. of Insurance Agents at its 62nd annual meeting here, offered the some 800 persons attending a program notable for both quality and quantity. This was a working meeting. Looking at it in retrospect, the number of events, educational talks, etc., crammed into the three days do not seem possible—like the classical joke book farmer who saw the giraffe and said, "There ain't no such animal."

Harry C. Parrish of Paris, president, and H. W. Mullins, Rockford, state national director, both discussed the prior approval-no prior approval situation, which is reported elsewhere in this issue.

Following a pattern of long standing, the meeting opened on Sunday afternoon with a local board workshop, presided over by James O. Orr of Springfield. The meeting concerned itself with activities of the accident and fire prevention committee and the various projects conducted during the year to point out safety to individual agents and local boards.

Joseph O'Toole, F. D. Hirschberg & Co., St. Louis, vice-chairman of NAIA fire prevention committee, told the agents that the national association's fire and civil defense committee needs their help and that grass roots civil defense activity makes them a vital part of their community. Fire prevention and safety is a serious moral obligation to the agent, he said. "If you don't have time for this activity, will you have time to visit the insured in a funeral parlor?" he asked.

On the purely selfish side, he said a by-product of this activity is pres-

New officers of Illinois Assn. of Insurance Agents elected at the annual meeting in St. Louis. From left: George J. Nicoud, Springfield, secretary (reelected); Donald W. Perin Jr., Chicago, state national director; Calvin Schuneman, Prophetstown, vice-president farm affairs; Thomas K. Sprague Jr., Joliet, executive vice-president; Caspar Brown Jr., Springfield, treasurer; James S. Woodworth, Robinson, president, and Leland R. Crank, East St. Louis, who was general chairman of the convention. Harry C. Parrish of Paris, who turned over the presidential reins to Mr. Woodworth at the meeting and moved up to chairman, was not present for the picture.

Harry C. Parrish of Paris, president of the Illinois association (2nd from left), with (from left) W. H. Redeker, Centralia, a director; Joseph S. Gerber, Illinois director, and Joseph F. Prola, Springfield, chairman of the legislative committee.

tige and increased contacts and more money in commissions. He also noted that fire safety can be a selling tool, that the agents can point out their mutual competition does not provide this service. "The competition is aware of the value of this service, however, and will take it up and, if you are not careful, beat you to the punch."

Captain Moran of the St. Louis police fire-arson and homicide squad discussed various aspects of arson, and C. E. Methaney, chief of engineering flight test analysis department, McDonnell Aircraft Corp., St. Louis, discussed fire detection in aircraft in flight.

Larry E. Miller, civil defense coordinator of southern Illinois, told the agents that they above everyone else should accept the civil defense program, because it is also a form of insurance. He said the big problem was to convince the American public that individual and public fall-out shelters are a vital necessity. While the agents are selling their insurance they could help sell civil defense "insurance," he said. "We can't reach the people like you can. We are a very small organization. Get in touch with your local civil defense director."

Monday morning was devoted to the annual membership meeting, which included reports of officers and standing committees, presentation of awards and election of officers.

President Parrish moved up to chairman, as James S. Woodworth, Robinson, was named president. Thomas K. Sprague Jr., Joliet, was elected executive vice-president; Calvin Schuneman, Prophetstown, vice-president farm affairs; Donald W. Perin Jr., Chicago, state national director; Caspar Brown Jr., Springfield, treasurer, and George J. Nicoud, Springfield, secretary (reelected). There were also 14 regional vice-presidents named, as well as chairmen of 12 standing committees.

The Maryland Casualty achieve-

(CONTINUED ON PAGE 63)

Ill. Agents Name 14 V-Ps, 12 Unit Chairmen

In addition to the officers listed elsewhere in this issue, Illinois Assn. of Insurance Agents at the annual meeting named fourteen regional vice-presidents and 12 committee chairmen, keeping the association a front runner in size of officer slate.

Regional vice-presidents and their regions are Sanford H. Lederer, Chicago, region 1; Eric Anderson, Elgin, 2; J. J. Beattie, Rockford, 3; Robert L. Shade, Decatur, 4; Wendell G. Cleaver, Peoria, 5; James C. Murphy, Taylorville, 6; Leland R. Crank, East St. Louis, 7 (Mr. Crank received well earned recognition at the convention for his activities as general chairman of the meeting); E. M. Rolwing, Cairo, 8; William Pulliam, Newton, 9; Dee L. Rodd, Marion, 10; Albert A. Greene, Danville, 11; Glenn Petrey, White Hall, 12; William R. Lyon, Moline, 13, and Les DeGeus, Joliet, 14

Committee chairman and their committees are Robert L. Newell, Ashland accident and fire prevention; William Whitacre, Decatur, automobile; Andy Horn, Galesburg, budget and finance; James H. Rupp Jr., Decatur, casualty, surety and fidelity; E. J. Clements, Chicago, conference; Levison Snyder, Peru, education and agency management; Calvin Schuneman, Prophetstown, farm insurance (vice-president farm affairs); Arthur Smith, Joliet, grievance; Joseph F. Prola, Springfield, legislative; Thomas K. Sprague Jr., Joliet, local boards and membership (executive vice-president); Robert Ward, Mount Vernon, property, and Robert B. Stitt, Chicago, public relations.

John Barry Minces No Words In Giving Thoughts On Rates

Commissions represent the only component part of a rate where companies can have a basis for a lower expense ratio, and this would be effected by reducing the commission paid to agents and brokers, John R. Barry, president Corroon & Reynolds, told the annual meeting of Illinois Assn. of Insurance Agents at St. Louis. This he said after he finished breaking down the tables published by New York which show the division of the premium into five parts.

Nowhere among the other four—total of losses and loss adjustment expense; administrative expense; taxes and fees — is there a basis for rate deviation, he said. "The breakdown in our orderly process had its beginning in a filing made in New York by North America in connection with the dwelling business, orginally based solely on a reduction of commissions to agents. On the basis of that reduction, they asked for the right to reduce rates to the insured. When this had been approved by the department, Allstate made an almost identical filing.

Hearings Initiated

"The insurance department, in answer to a protest by the rating bureau, initiated hearings on their own motion, and finally decided that savings from any source whatsoever could be passed on the insured in the form of a lower rate. It was clearly demonstrated in both of these filings that the only room for saving was in agent commission. As the New York law stands today, a company may file a deviation based solely on a commission rate lower than that used in the bureau filing, with a corresponding reduction in rate."

Mr. Barry opined that this could be carried out still further, so that a company could deal directly with the insured, passing on the entire commission loading by way of reduction in rate on the grounds that this is in accordance with the decision of the New York department, that it is a "saving from any source whatsoever."

When the New York superintendent asked that the matter be presented to the courts so that they would clarify the meaning of the law and provide him a guide for the future, "both the appellate division and the court of appeals saw fit to by-pass this request by affirming the decision of the

Alton local board president and wife (both left), Mr. and Mrs. James Allen of Norton & Allen agency. Mr. Allen is holding out hand for a packet of silver dollars from Ramona, Don R. Jensen & Co. agency model, as Don Jensen and M. A. Bradford, two of the agency partners, look on. At the annual meeting for the past several years, every registrant receives in his packet of convention materials a key to a silver dollar "treasure chest" in the Jensen hospitality suit. Some keys fit the lock and some don't.

superintendent, without giving any statement has to how they arrived at their conclusion," Mr. Barry said.

"This opened the floodgates, and today we have throughout the U. S. more than 10,000 deviations filed by companies for the so-called bureau rates," he added. "The bureau is only an arm of the insurance department, for the simple reason that it cannot exist without the approval of the department, and no rate can become effective in most states without the stamp of approval of the superintendent. In the final analysis, therefore, it is a simple hard, cold fact that rates are made, in the end, by the department itself, so that the claim for the chaotic conditions which exist throughout the U.S. today must be laid on the complete collapse of state regulation."

Mr. Barry, who was just getting into his 25-page talk at this point, went on to discuss how deviations operate. It is the obligation of the regulatory officials, he noted, to demand proof— not from one company or from one rating organization — but from all involved as to how they can justify these discounts. "There are no standards for the determination that rate filings are in compliance with the laws of the states," he said, "and the supervisory officials have fallen back on the philosophy that they have the discretionary power to crystal-gaze into the future, and to accept the usual language that goes into these filings — namely, 'In our judgment.'

"This bland statement, from organizations and independents who are trying to find a competitive weapon in a vicious rate war, is being accepted without any attempt to find out the qualifications of those who are offering their 'judgment,' either from a standpoint of ability or experience."

Mr. Barry moved on to Inter-Regional, saying, "I wish to go on record here and now, stating that their filings have been forced on rating organizations without regard to the basic standards which should go into making rates. I use the word 'forced' because the directors of the rating organization are representatives of the same companies which comprise Inter-Regional, and it stands to reason that companies are not going to refuse advice that they are giving themselves."

Turning to Illinois, Mr. Barry said that up until the end of 1959, there was some element of profit in the homeowners policy (except on the "C" policy), "while today, with the new new homeowners, the loss ratio has increased to 60%. In connection with homeowners, he added that "one of the organizations which has been the loudest in screaming for free and open competition has been State Farm Mutual." Mr. Barry then read an extract from an insurance publication of an address by Thomas C. Morrill, vice-president State Farm:

"Particularly did he question the competition of a great combine of hundreds of companies, marching arm-in-arm through the market place, and employing deliberate price cutting in defiance of statistics. He illustrated his point by citing the repeated rounds of bureau rate reductions in homeowners policies, reductions which, he said, were being instituted on top of rates that were inadequate to begin with."

To this, Mr. Barry commented that Mr. Morrill went on to say he felt there was a vast distinction between this bureau type of price cutting and the agressive competition of a single company. And Mr. Barry termed this "nonsense!" There is absolutely no distinction between an inadequate rate filed by a single company, Mr. Barry declared. "Both are in violation of the law, both represent unfair competition and if only the supervisory officials had recognized the fundamental fact, and insisted upon adequate rates, we would have avoided the major part of the evils that beset our business today."

Mr. Barry made the observation at this point that "if a company call itself a mutual, it should be made to operate on a mutual basis strictly; as a stock company, it should be brought under the rules applicable to all stock companies, including that of federal taxation."

He said while he had the greatest personal regard for Mr. Morrill, "in view of his position in the past, he sounds like the boy who murdered his father and mother and then asked the court for mercy on the grounds that he was an orphan. I might further add that I will advise you not to take too seriously Mr. Morrill's wringing of hands in connection with the great Kefauver report — he now has in his organization the indivdiual responsible for it. Fortunately, the country is not operated on the basis of conclusions of investigating committees, particularly when the report — if it were to be the subject of doubt — could well be proven to have been colored by special pleaders."

With facts and figures, Mr. Barry gave his reasons why he feels the new

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Regional Company Executive Looks To Future As Competition Increases

John D. Phelan, vice-president American States, offered "one man's cold-blooded appraisal of the consequences of competition, mechanization, and mass market" at the Minnesota CPCU all-industry luncheon in Mineapolis.

Deviations, the no prior approval movement, the homeowners rate level, some of the old rigidly orthodox companies that have now become wild-eyed independents, TV advertising, all are signs of competition, and it is here to stay, at least for the sixties, Mr. Phelan said.

Compete In Two Ways

Insurance companies compete in two ways, he declared—by coverage and price. There is a limit to coverage competition. When the policy covers everything, there is no place to go. As the limits of coverage are reached or approached, price competition is likely to intensify. As price competition exists and grows, it forces an examination by agents and companies of all costs in connection with personal lines in an attempt to prevent these lines from becoming complete liabilities. It seems inevitable that this competitive pressure will force the application of electronics to personal lines packages and bring about continuous, central-billed packages in the personal lines field of fire and casualty insurance. This is the way of life insurance.

The cost of re-handling individual items over and over as now called for in the personal lines field will probably not be covered by the personal lines rates of the future, Mr. Phelan said. The forces of competition and the problems of mass marketing will probably bring about such changes without regard to the opinion, control or efforts of those satisfied with the status quo. Simplicity of handling and of selling demands that mass market coverage packages be broad enough to ensure a buyer's reasonable exposure. The application of an insurance product to the buyer in a mass market must not involve too high a degree of competence by the seller (whether CPCUs like it or not). The package must be professionally designed for a minimum of problems and a maximum of protection. "We must periodically remind ourselves," he observed, "that our job in large part is to sell honest and adequate security to the American family at a fair price and a fair profit to ourselves and our companies. Our job is not the creation of a professional concept of insurance except as it assists the discharge of our primary responsibility."

Mr. Phelan said as broad coverage packages are designed, the public will discover the breadth of coverage given. As it does so, claim frequency naturally increases. This means that, ultimately, application of some deductible or other loss control device in personal lines packages will be essential. Prior to the uniform introduction of such controls, the downward trend of rates and the upward trend of loss frequency will force companies to underwrite individual risks in the personal lines package field where no underwriting has really existed before.

A natural and inevitable consequence of the final advent of the industrial revolution in the insurance business has been the introduction of "brand name" merchandising by the direct writers and Travelers, Aetna, and others. Regional companies, such as American States, will have to seek regional brand identification. Mr. Pheland commented that this is not a matter of choice but an almost inevitable consequence of the development of direct writers with large advertising budgets.

Need For 'Brand Indentification'

It is well established that a name brand will out-sell an unknown brand —price and apparent quality being fairly equal. In insurance, Mr. Phelan remarked, the big name brands have also been those with the price advantages. Perhaps, he added, the most under-estimated factor in the analysis of company-agency relationships in the future is this emergence of need for "brand identification" in insurance.

Future relationships between companies and agencies must be closer, he averred. This does not mean that agencies will become single company agencies but it does mean, probably, that the number of companies represented by agencies will be reduced so that many benefits can be gained. A reduction in the number of companies an agent represents will make it easier for the agent to live with mechanization and make it more possible for him to associate his name more closely with the brand identification of his companies to mutual advantage.

The changes inherent in competition and the brand name era will not fall wholly on the present agency sys-

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THE STORY OF MR. LIVINGWELL, AND HOW IT CAN HELP YOU PROTECT YOUR OWN GOOD LIFE

This is Mr. Livingwell, an extraordinary sort. Prosperous, wise, handsome. Sportsman, patron of the arts, confidant of the mighty. Your sort!

Broker in tow, he came to Insurance Company of North America recently, sorely troubled by newspaper accounts of the awesome damages awarded in liability suits involving men of his fabric. Suppose he nicked the fetlock of a stranger's yearling with a fender of his Jag. Couldn't he be wiped out? He could! Even though Mr. L. carries normal liability insurance!

Sorely troubled ourselves, we went to work and developed two protection plans for the Livingwells of this world: the INA-Executive and the INA-Professional. We call them "excess liability policies"—trade talk for coverage that starts where your other policies stop.

Doctors, lawyers, merchants (even a chief or two) are amazed when told how little these policies cost. Why don't you let your broker or agent amaze you?

INA

INSURANCE BY NORTH AMERICA

Insurance Company of North America

Life Insurance Company of North America

World Headquarters: Philadelphia

WATCH FOR THIS AD IN **THE NEW YORKER,** DECEMBER 16 (Turn page)

Upholds Disapproval Of Operator's Policy

Maine's supreme court has upheld Commissioner George F. Mahoney in his disapproval of American Fidelity's individual automobile operator's policy. Included in the disapproval was an additional insured endorsement. American Fidelity, a member of the New Hampshire group, took the commissioner to court.

The commissioner objected to the policy and the endorsement on grounds that "the coverage afforded is so limited as to be beyond the reasonable comprehension of the average policyholder who, through the years, has been educated to a broadening of coverages under liability policies insuring his automobile." Also, he stated, the coverage is capable of construction which is unfair to insured or public because insured would normally expect coverage to exist where it does not. The public, therefore, would be left unprotected in many instances.

Furthermore, he said, "studies by various groups over the years indicate that comprehensive changes in the laws of agency, vicarious liability, and financial responsibility must be made before an insure-the-driver form of policy could operate fairly."

Correct And Incorrect

The majority opinion of the high court ruled that the commissioner was correct in some of the 20 charges of restricted coverage that he outlined against the operator's policy and was incorrect in some. In a separate opinion, one of the judges, however, found Mr. Mahoney correct in all respects.

The separate opinion observed that the policy would run afoul of a Maine law which makes an owner of a motor vehicle who permits a minor under 18 to operate the vehicle "jointly and severally liable" with the minor for any damages caused by the minor's negligence. This opinion also terms "most dangerous to the public" automatic cessation of coverage upon the death of named insured.

Terming many of the clauses in the policy impossible to understand, this judge commented that if the prospective purchaser fully and clearly understood the policy's restrictions, "there would be no legal objection to such a contract." Conceding the honesty of the company's motives in drafting a restricted contract to be sold at a low rate, "what about the acts of unscrupulous agents" who sell the policy without explaining (intentionally or carelessly) its restrictions.

The majority opinion states and repeats that the legislature has not set up standards for insurance contracts and that it, the court, is not prescribing a policy. "The legislature has not relieved policyholders from the pains and consequences of reading and choosing such policies as are not reprehensibly misleading or amenable to unfair construction," the court said.

However, it agreed with the commissioner in his finding that the policy does not provide liability coverage for a son or wife, that "motor vehicle" is not defined in the policy, and that the definition of "operation" is not defined in the policy, and that the definition of "operation" is unsatisfactory.

IAHU Holds 28 Seminars

International Assn. of Health Underwriters is holding 28 seminars throughout the country to instruct top officials of state and local affiliates in leadership techniques. A core of moderators comprised of the association's officers and senior directors is conducting the meetings.

A new official procedure manual, speakers roster and publicity guide are being introduced. The meetings started late in October and will conclude in mid-November.

Seattle Brokers Open New Office

D. K. MacDonald & Co., Seattle brokers, has opened a new office at Tacoma with George C. Bruce as resident manager. He had been a vice-president of C. J. Reid & Co., New York brokers. The new office is the MacDonald's fifth on the west coast.

Amer. Casualty Names Parker, Hankey, Wiest

American Casualty has advanced Arch M. Parker from assistant vice-president to vice-president. He is in charge of the A&S division. M. H. Hankey and William P. Wiest Jr. have been named assistant vice-presidents and regional directors of the southeast and northeast, respectively.

Mr. Parker went with the company last September. He has been in the business since 1946 when he joined Continental Casualty at Toronto. He was later at Detroit and Cleveland for that company and advanced to assistant vice-president and director of health branches.

Mr. Hankey has been with the company since 1941. His headquarters are now at Atlanta. Mr. Wiest has been resident manager of the company's central Pennsylvania department. His headquarters are at the home office in Reading.

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Directors of **Mutual Agents Assn. of New York State** will meet in Syracuse Dec. 7-8.

ARIA Issues Report On Study Of Risks, Teaching Methods

American Risk & Insurance Assn. has released a report on curricular concepts in risk and insurance that sets forth a minimum area of subject matter for the general student and additional fields for the specialist. It also suggests different approaches to instruction.

The report was developed by a special association committee headed by Edward Hedges, Indiana University, immediate past president of the association.

Suggested "minimum core" for the general student includes development of an awareness of the nature and universality of risk and a facility for identifying risk situations; recognition of the inhibiting influence of risk in personal and business decisions; familiarity with the properties of probability pertaining to prediction and a general knowledge of other quantitative techniques whose applications to risk treatment have been shown; adeptness in analyzing risk situations to permit optimum selection; and comprehensive understanding of the mechanism of insurance.

Additional Fields

As additional fields for the specialist the report suggests detailed analysis of hazards that threaten the economic status of individual businesses and organizations; evaluation of loss-causing potential in risk situations; the application of a priori probability and relative frequency to the prediction of future outcomes; the application of quantitative analysis to decision making when outcomes of alternative decisions are uncertain; the relative merits of alternate ways of treating risk in the light of given objectives.

Also marginal analysis, discounting and other techniques involved in a decision as to how far to incur certain cost to avoid possible future loss; the historical development and current status of governmental regulation and other risk-treating devices such as suretyship, quaranty, hedging and the like; the institution of insurance in its economic, social, legal and political environment; the analysis of contracts; rationale for rate-making, underwriting requirements and philosophies, and concepts in loss adjustments; and the techniques for appraising strength, efficiency and capacity of insurers, including regard for the function and adequacy of various reserves.

Instruction Approaches

The report proceeds to a discussion of approaches to instruction:

—The traditional approach emphasizes the mechanism of insurance as a device for treatment of risk. The strength of this approach lies in the attention given to the range of contracts by type, to concepts of risk and insurance, and to the convenient use of literature and teaching aids.

—The decision-making approach views the study of risk and insurance within the framework of management.

—The aggregative approach studies risk through an analysis of such variables as savings, consumption and credit. "This approach has the merit of avoiding descriptive detail."

—The intergrative approach is based on the premise that any subject is more clearly understood when it is related to the total complex of which it is part. It is "necessarily limited to students whose exposure has been broad and whose level of understanding is advanced."

—The functional approach stresses functions necessarily involved in insuring the risk. It "lends itself better to some of the advanced work of the specialist than to instruction at the introductory level. The focus of attention is on the processes of the insurance mechanism rather than on the perils themselves."

—The combined functional-line system approaches on a functional basic those aspects common to all or at least most efforts to handle risk through insurance, covering on a hazard or line basis those apsects that vary fundamentally from one type of hazard and insurance to another.

Conclusions Of Report

All research, the report concludes, "should be directed toward the discovery of new and better ways to cope with the ever-present phenomenon of risk as it is confronted by individuals, business firms and other organizations, and society as a whole."

IAHU Condemns Unethical Health Policy Practices

International Assn. of Health Underwriters at a recent board meeting condemned unethical practices involved in replacement of health policies.

Robert Demmons, Pan-American Life, acting head of the association's persistency award committee, reported that growing replacement practices in individual health insurance are against

the public interest and contrary to the association's code of ethics.

Tenet number five of the association's code of ethics reads: "Present policies factually and accurately, giving all information to my prospect which may be essential to his best interests." Tenet number eight: "Be fair and just to my competitors, attempt no twisting, and make no statements which may do injustice to another company or competitor."

The IAHU resolution on replacement says the association wishes to reemphasize its concern with unethical business practices with regard to the inducement of policyholders to discontinue their insurance for the replacement of same by an inferior contract and states that IAHU dedicates itself to do all in its power to emphasize the importance of uninterrupted coverage to insure proper financial assistance in time of need."

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Robert Hancock has been appointed Seattle manager of Oregon Mutual succeeding A. M. Dickinson, resigned.

GAB Names Harris, Five Others In West To Branch Manager

General Adjustment Bureau has made six branch manager appointments in the west.

Named to that position are James A. Harris, Pueblo, Colo.; Ben H. Eden, Douglas, Ariz.; Laureano A. Durazo, Van Nuys, Cal.; Harley D. McMaster, La Junta, Colo.; Peter J. Sikich Jr., Deming, N. M., and Edward J. Mason, Coolidge, Ariz.

Mr. Harris joined GAB at Council Bluffs, Ia., in 1955. He subsequently served as a staff adjuster at Hastings, Neb., and was promoted to manager of that office in 1959.

Mr. Eden joined the bureau at Casper, Wyo., as a trainee in 1956. He subsequently was named a staff adjuster at Montrose, Colo.

Mr. Durazo went with GAB in 1952 at Douglas and was promoted to branch manager there in 1955.

Mr. McMaster joined the bureau at Medford, Ore., in 1958 and was later named a staff adjuster at Colorado Springs. As branch manager at La Junta he replaces E. E. Wise who is being promoted to the senior staff at the Denver office.

Mr. Sikich joined GAB at Gallup, N. M., and was appointed resident adjuster at Deming in 1959. His promotion coincides with the changing of the Deming office to full branch status.

Mr. Mason joined the bureau at Yuma, Ariz., in 1958.

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IRS Agents Schooled On Scrutiny Of Insurer Tax

Internal Revenue Service, under its career development program for agents, has begun a course for agents at Dallas, Des Moines, Greensboro, N. C., and Hartford for agents who examine insurance company returns—life, fire and casualty. Part of the time of the classes is devoted to the tax laws as they affect insurers and the peculiarity of such laws. Agents are taught the techniques of insurance tax return examination.

Accountants report that IRS has reduced from 15 to 5% the redundancy allowed on reserves for losses and claims.

Income from tax exempt bonds is not taxable but expenses incurred in acquiring them have been deductible in the case of corporations but not in the case of individuals. Apparently the latter principle now is being applied to corporations.

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To Test N. C. Pension Acts

The way has been cleared for a court test, on the merits of the case, of the constitutionality of North Carolina's 1959 firemen's pension fund acts. Earlier test cases reached a dead end when the state supreme court ruled the wrong procedure had been followed. Now, new cases filed by Great American and Employers Mutual Fire have been upheld as to procedure.

Great American seeks to recover $7,167 and Employers Mutual $179 which was paid under protest in premium taxes destined to help support the firemen's pension fund. Both companies contend the pension fund acts are discriminatory and invalid.

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Bond Men Elect

Surety Underwriters Assn. of Rochester, N. Y., at its annual meeting elected Edward F. Walsh, manager, U. S. F. & G., president; H. P. Mason, Standard Accident, vice-president; Willard Hubbard, Travelers, secretary, and Gerald McCarthy, Fidelity & Casualty, treasurer. The association was founded a year ago.

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Selective Names Buenger

C. L. Buenger, formerly controller, has been elected vice-president of Selective of Cincinnati. Mr. Buenger, a graduate of Xavier University, joined Selective in 1948.

Views IRIC Move To Be National Rating Body

National Assn. of Insurance Agents officers are carefully watching developments following the not-unanimous recommendation of the executive committee of Inter-Regional Insurance Conference in New York that the conference be licensed as a rating organization in all states where it is presently licensed as an advisory body only.

This was the report of Cooper M. Cubbedge, Jacksonville, president NAIA, at the annual convention of the California association in Los Angeles. Mr. Cubbedge said that IRIC's alleged objectives are to strengthen its position among those uncertain of its legal status, to provide more effective service to its company members, and to avoid overlapping with other bureaus in its proposed new functions.

Mr. Cubbedge stressed that there are differences of opinion among IRIC's members, however. A membership meeting is scheduled for Dec. 13 to vote on the matter.

NAIA has been assured that the new IRIC functions will not change either the conference procedure with the association's property committee, or the various territorial conferences liaison, Mr. Cubbedge said. IRIC has stated that it will continue to utilize these points of contact for interchange of information and ideas.

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William F. Powers, Long Island regional manager of Allstate at Huntington Station, N. Y., has been named to the executive committee of Long Island Assn., an organization of business firms.

Rowe Is Advanced By Stuyvesant Group

William P. Rowe has been appointed superintendent of agencies by National Mutual of the Stuyvesant group. The company, which has headquarters in Allentown, Pa., is operated by Stuyvesant under a management contract. At the same time Mr. Rowe was elected vice-president and manager of East Coast General Agency, which is affiliated with National Mutual.

William P. Rowe

Previously he served as a special agent with the Corroon & Reynolds group out of DuBois, Pa. Prior to that he was in the local agency business in Bridgeton, N.J.

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Toensmeier Opens New Office At Salisbury, Md.

Toensmeier Adjustment Service has established a new office at 110 North Division Street, Salisbury, Md., with William J. McConnell in charge. He was formerly with North America and has had 20 years experience as a multiple line adjuster.

Toensmeier offices at Wilmington, Del., Easton, and Salisbury, Md., provide coverage of the eastern shore area.

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Mass. Legislative Plans

Commissioner Otis M. Whitney of Massachusetts will ask the 1962 legislature for a law requiring claimants to give notice of time, place of injury, and description of injury within a limited time following an automobile accident. Presently many cases are recorded in which failure to give notice has made it impossible for defendants or insurers adequately to prepare a defense.

He will also ask for a statute specifically applicable to fraudulent claims under the compulsory auto liability law. He said this would make it easier to prosecute for fraudulent claims.

The department will seek a new schedule of fees, $3 instead of $2 for agent licenses, $100 instead of $30 for charters for out-of-state insurers with a fee of $10 for amendment, presently free, and $250 instead of $25 for a broker's license. Examination fees would be $2 for brokers and fire adjusters for the first time, $1 for agents, and $10 for advisers.

He will ask for a doubling of the present financial requirements for domestic and foreign insurers. He will seek elimination of the appeal board for fire insurance rates on grounds that his department is now performing this function.

He will ask for repeal of compulsory auto and substitution of financial responsiblity and a law to permit competitive rates for auto liability.

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Conn. Field Club Inspects

Connecticut Fire Insurance Field Club has completed a town inspection of Wallingford, with 46 members of the organization inspecting 618 risks.

A total of 350 violations were noted; 218 risks had no violations or recommendations; 72 could not be entered, and five refused inspection. The committee head was William Gorman, Reliance, who was assisted by J. H. Ellen, America Fore Loyalty.

Central National Appoints Knox, Chisholm, Pedersen

Three new appointments have been announced by Central National group of Omaha. All are new positions and represent expansion of the company's activities.


Richard E. Knox

Richard E. Knox has been appointed director of agencies. Mr. Knox has worked in South Dakota and Iowa as an underwriter and state agent for St. Paul F. & M. More recently he has been district sales manager in the Green Bay, Wis., area for Mutual Service companies of St. Paul.

Colin D. Chisholm has been named Nebraska sales representative. He served for three years as a rating inspector for Nebraska Inspection Bureau, and since 1953 has worked as a field representative in Nebraska and Iowa for both stock and mutual companies on a multiple-line basis.

K. Mark Pedersen has been named Iowa sales representative. Mr. Pedersen has been with his father in the insurance and real estate fields in Grinnell since 1955.

Indianapolis Mariners Name D. H. Smith Skipper

Mariners Club of Indianapolis has elected David H. Smith, Phoenix of Hartford, skipper; William W. Robertson, Agricultural, first mate; Donald A. Shaner, Grain Dealers Mutual, purser-yeoman, and J. L. Heinz, General Adjustment Bureau, jimmy legs.

N.Y. Bond Men Elect

Surety Underwriters Assn. of New York at its annual meeting elected Audley A. Davis, Maryland Casualty, president, James F. Joyce, Phoenix of London, vice-president, and Robert Moroney, Maryland Casualty, secretary-treasurer. New executive committee men are Michael A. Verdrose, Great American, S. Capatosto, Hartford Accident, George J. McGovern, Continental Casualty, Matthew Hart, Travelers Indemnity, and the officers.

Present membership totals 130. George K. Sneden, Springfield, is the retiring president.

A&S Advisory Group Reelects

The advisory board on A&S insurance examinations, which works with the New York department, has reelected Francis T. Curran of the America Fore Loyalty group chairman and John P. Hanna, general counsel of Health Insurance Assn. of America, vice-chairman.

Merchants Mutual Hits $50 Million Assets; Ferris To New Post

Merchants Mutual of Buffalo has passed the $50 million mark in assets. At a meeting of the company's executive committee President Milton L. Baier traced the progress of the company since its present management was elected in 1955.

The committee created a new post, administrative vice-president, and appointed William L. Ferris to fill it. He will serve as executive assistant to president. Mr. Ferris has been vice-president in charge of underwriting at the Buffalo office. He has been with the company since 1937.

Georgia automobile assigned risk plan has been amended to require a company receiving an assignment to issue the required policy or binder within five days after receipt of the assignment and the premium or deposit instead of the previous 10 days. The change was asked by Georgia Assn. of Insurance Agents.

E. F. Gallagher Suggests Agents Agree On Fundamentals

(CONTINUED FROM PAGE 12)

is undergoing are bringing about many differences in established concepts, Mr. Gallagher said. While it is but a trait of human nature to resist change, that does not mean that some new departures are not for the better. "However, I think we would be a little naive if we thought all of them were."

He commented that one most interesting change has occurred in connection with the simple dwelling class. For years this class was looked upon as "preferred." In connection with it, companies, entirely ignoring any idea that commissions to agents should be a measure of service performed, used commissions to "buy" this so called preferred business. Common economic judgment would indicate that more service and knowledge was required when an agent handled an industrial account—but no one seemed willing to admit that so the companies went right along allocating the highest rate of commission to the class which probably least deserved it.

Offer Less Commission

With the advent of homeowners, the companies began offering less commission than for the simple dwelling contract. Some of them have since changed their minds about the commission, but Mr. Gallagher said, still the average case at a reduced percentage of commission brought more premium and more dollars commission" and after all we live on dollars. You can't buy even a loaf of bread with a mere percentage."

There were several disturbances which followed the advent of the homeowners policy and its rapid growth. Perhaps the most significant is the fact that now the dwelling class—once so highly regarded—is now almost a distressed class for the most part consisting of less desirable risks which are by no means insured to value. In Kentucky this situation has been recognized by the loss constant principle in an effort to make writeable what is left in the dwelling class.

Additional Package Policies

Mr. Gallagher noted that in addition to the dwelling package policies there are now package policies for public properties, motels, apartments, commercial risks, industrial risks, and there is now being introduced a special contract covering office buildings as well as office contents. Ultimately the better risks of these classes will undoubtedly wind up covered by these special contracts, leaving only the less desirable office buildings, apartments motels and so forth. "Since the rate of commission is invariably lower on these special contracts it would seem that the agent may be facing a real problem. It may be that increased premiums per account will offset a modest reduction in commission scale—let us hope so. It does seem, however, that certain types of agencies face a very disturbing future."

There seems to be just about general agreement, he said, that in the personal lines at least a greater portion of the premium dollar must be made available to pay losses. This is a stark necessity. The alternative is to see personal lines lost to direct writers and specialty companies. Because of this it would seem that the agent who has a relatively small volume most of which is in the personal lines will have to develop a lot of miscellaneous commercial business or else see his income drop drastically in the near future.

A few years ago the mutuals and reciprocals were writing 13% of all the fire and allied lines premiums, Mr. Gallagher said. Within years these companies and the direct writers were writing 30% of the total. While previously stock companies were writing 87% of all fire business, they are now writing less than 70%. "If we and our competitors continue with the same ratio of increase we will be writing through our American agency system less than 50% of the fire and allied lines premium six years from now."

Tolerance Needed

He pointed out that "When we realize this situation we may be a little more tolerant of many of the things which our companies are doing. Some of these actions are perhaps not as sound as they might be, but by the same token many of the new policies coverages and rating methods are introduced by a feeling approaching desperation—not only that the companies themselves may survive, but that we, the agents, may have some confident hope for the future."

Agents have been faced with a plethora of deviation filings, with rate reductions and with the liberalization of contracts many of which have no basis of substantiation. Mr. Gallagher said some of the larger companies with relatively unlimited assets are willing to write certain classes at rates

which preclude any underwriting profit. "Relying on their large surplus and a benificent investment market they are able to show reasonably satisfactory operating results even with an underwriting loss. This competitive philosophy engendered by a desire to maintain position may well speed the doom of some of the smaller companies which cannot survive indefinitely without some underwriting profit and may well serve to bring about a restricted market for all but the most desirable risks."

The introduction of a no prior approval concept will tend to accelerate competition which may well pass the bounds of what is sound and reasonable and which may, blindly followed, lead some companies to oblivion, he declared. "In fact the possibility of company failure under such lax regulations is so marked that when the model law was being framed serious thought was given to the formation of an instrumentality of the government which would insure insurance purchasers against loss due to insolvency of a company in the same manner as the Federal Deposit Insurance Corp. insures bank depositors."

Fewer Agents?

Will the small agent drop from the scene—will there be fewer agents? Mr. Gallagher wondered. He thinks there probably will be fewer agents. Those same factors which bring about increased mergers of companies will necessitate an increased merger of insurance agents. And these mergers may not ultimately be a bad thing because by merging one office secures a benefit of specialized knowledge which some other office may have excelled in. Larger offices can render better service as a rule and may well raise the entire level of competency in the ranks of producers.

Already, he observed, a drop in membership in National Assn. of Insurance Agents is reflecting a certain amount of mergers, a certain amount of agency sales and a certain number of discontinuances of agencies throughout the country.

Brown Bros. Expands

The independent adjusting business of Alex E. Brown & Son at Santa Barbara, Cal. has been acquired by Brown Brothers Adjusters. All pending files have been reviewed and will be handled to a conclusion without interruption subject to the approval of the companies involved.

Ernest O'Banion has been appointed adjuster-in-charge. He began his insurance adjusting career with America Fore group in 1953. He joined Brown Brothers Adjusters in 1959 and has been at Stockton.

Urge Minn. Producers To Run For Public Office

Insurance men make exceptionally good legislators, according to an article in the Bulletin of Insurance Federation of Minnesota. A reshuffling of legislative districts in Minnesota will create 13 virtually new districts for which there is no incumbent in 1962. The article urges insurance men to run for these offices.

"In order to be successful insurance men and write coverages that are needed they must know something about everyone's business," the bulletin says. "A good legislator must know something about everyone's business in order to know how a proposed law may affect his different constituents.

Must Have Wide Acquaintanceship

"Insurance men must have a wide acquaintanceship in order to be successful. A legislator must have a wide acquaintanceship in order to be on speaking terms with his constituents who have problems before the legislature they wish to discuss with him. It would be well for the state and the industry if insurance men in these districts without incumbents would give thought to making themselves available as candidates."

The federation's annual meeting will be held Nov. 20 in Minneapolis. The speaker will be Christian F. Beukema, president Oliver Iron Co., a division of U. S. Steel Corp.

General Adjustment Bureau has moved its office at Astoria, Ore., to First National Bank Building, 1218 Commercial Street.

San Francisco Observes Business Education Day

Some 150 San Francisco high school teachers toured insurance company offices, attended a luncheon meeting at the home office of Fireman's Fund, and saw a recently completed film on insurance and traffic safety prepared by Western Insurance Information Service. The occasion was San Francisco's annual celebration of business education day, sponsored jointly by WIIS and its member companies.

During the luncheon guest speakers were Stuart D. Menist, vice-president Fireman's Fund, and John S. Urlaub, University of California, president-elect of American Driver Education Assn. Others present were Thomas Bright, director of the California department of motor vehicles; Thomas Cahill, chief of the San Francisco police department; Daniel J. O'Connell, supervising inspector of the California highway patrol; Judges Underwood and Eyman of the municipal traffic court, and Adolfo de Ariosto, commissioner of education for San Francisco. Albert H. Wood, executive director WIIS, presided at the luncheon.

Those present saw a film entitled "Auto Insurance and You." Designed primarily for high school student audiences, the film explains the fundamentals of insurance and the relation between accident costs and insurance rates. It gives reasons for higher rates on youthful drivers.

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State premium tax collections in the 1961 fiscal year show a preliminary figure of $584 million, compared to $532 million in 1960, an increase of 9.8%, according to U.S. Census Bureau.

Analyzes Multiple Line Developments

A detailed analysis of the development of multiple line insurers and some of the effects this has had on companies and on the property and liability insurance business are presented in Transition to Multiple-Line Insurance Companies by David L. Bickelhaupt, associate professor of insurance at Ohio State University. The book is published by Richard D. Irwin of Homewood, Ill., for the S. S. Huebner Foundation for Insurance Education. The work was prepared by Mr. Bickelhaupt at the University of Pennsylvania under a grant from the foundation.

Mr. Bickelhaupt devotes his attention to objectives and general requirements of multiple line insurers, financial requirements of states, techniques of changing to such operation, and changes in the financial structure made or required by multiple line operation. He noted that of the 52 states, 29 permit multiple line powers with less capital and surplus than is required for the separate classes; 21 require equal financial standards, and two require more.

Neophobia

The factor of neophobia, or dread of novelty and change, adds to the adjustments during the legal process of transition from mono-line to multiple line operation, he observes. Among other things, he shows how the ratio of written premiums to policyholders surplus declined from 1.39 in 1948 to .86 in 1955 for 35 leading multiple line insurers. In the same span of time premiums increased 67.1% for these companies.

The policyholders surplus of New York licensed companies increased from 1948 to 1955 by $4,742.8 million, or 142.3%. For this group, written premiums were 1.48% of policyholders surplus in 1948 and 1.06% in 1955.

Mr. Bickelhaupt notes that the strong inflationary factor increased insurance amounts and thus premiums and increased asset valuations, particularly in common stocks, and thus produced greater rises than the rise in liabilities. The fact that inflationary tendencies caused almost immediate increases in such accounts as stocks held by the industry, while premium changes occurred more slowly may be a substantial reason for the decreasing capacity-use ratio (premiums to surplus).

Mr. Bickelhaupt suggests the need for a more realistic standard of financial requirements for multiple line insurers than the present one of so much per line of insurance. A simple graduated requirement based on premium volume is a possible choice which merits attention, he writes.

In assets, liabilities, capital, surplus and policyholders surplus, the 35 leading multiple line insurers accounted for larger gains, 1948 to 1955, than the gains for all insurers, except in liabilities. They accounted for 25% of the increase in assets shown by all New York licensed companies.

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N. C. Agents Pledge $15,000 Traffic Safety Donation

North Carolina Assn. of Insurance Agents has voted to contribute $15,000 over a three year period to the state's traffic safety council. The first check for $5,000 was presented to Gov. Sanford by Louie Woodbury, Wilmington, past president of NAIA. Mr. Woodbury is a director of the council.

Ind. Mutual Companies Name R. L. Benjamin

Robert L. Benjamin has been named managing officer of Mutual Insurance Companies Assn. of Indiana, comprised of 68 mutual companies in the fire or multiple line field. He has served as assistant secretary-treasurer of the 64-year-old association since 1955 and handles association duties in addition to his regular job as public relations director and advertising manager of the Indiana Farmers Mutual and Town & Country Mutual of Indianapolis.

Mrs. Clara Belle Stallwood, personnel manager of Indiana Farmers Mutual and Town & Country Mutual at the same time was named assistant secretary-treasurer of the association. She has had charge of the financial affairs of the association for several years.

Carl S. Jones, secretary, personnel manager and director of Indiana Lumbermens Mutual has been elected treasurer of the organization. Edward R. Hungate, secretary Boone Farm Mutual of Lebanon was reelected president. William T. Adams, Jefferson County Patrons Mutual Fire, Madison was reelected vice-president.

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So. Fla. CPCUs Elect

A. L. Pither

Allan L. Pither, president of Southeastern Surplus Lines of Coral Gables, has been elected president of the south Florida CPCU chapter. George Byrne, American International Underwriters,, was elected vice-president, and T. Dixon Holladay Jr., Alexander & Alexander, secretary-treasurer.

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Glass Committee Active

Lee Barber, superintendent of engineering of America Fore Loyalty, has been named chairman of American Standards Assn.'s sectional committee on safety glazing materials. The committee is sponsored by Insurance Institute for Highway Safety.

The committee was reconstituted last Jan. 1 and has met continuously throughout the year on organizational problems. It will now direct its attention to investigation of all aspects of the safety qualities of both laminated and tempered glass, which are the two types of glass authorized for use in motor vehicles.

At present, the code allows tempered glass in all vehicle glazing except windshields. These must be of laminated glass. The advisability of requiring laminated glass throughout will be considered.

Representatives of the automobile, glass, plastics and insurance industries and National Safety Council serve on the committee.

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General Adjustment Bureau has moved its office at Hobbs, N. M., to 307 North Shipp Street.

Rockland Mutual In New Home Office

Rockland Mutual (formerly Pioneer Mutual) has occupied its new home office at 112 Water Street, Boston. It previously was at 88 Broad Street. The 100-year old building has been extensively remodeled into a modern office building but retains its Colonial facade with multi-paned windows and white exterior.

Rockland Mutual occupies 6,000 square feet of floor space on the second floor of the structure. The street floor lobby has been completely remodeled and modern self-service elevators accommodate the entire building. The entire reconstruction and renovation project was supervised by Stephen B. Story, assistant secretary of the company

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Cash Named In Georgia

Willard W. Cash Jr. has been named special agent for the Georgia territory by Northwestern Mutual. Mr. Cash has 13 years of multiple line experience, both underwriting and field.

International Service Of Fort Worth Wins Guaranty Bond Decision

AUSTIN—Judgment in favor of International Service of Fort Worth has been rendered by the third circuit court of appeals here in litigation involving the company's guaranty agreement for its affiliated Fort Worth Lloyd's in a 2 to 1 decision reversing the trial court. The basis of the holding is that the agreement is a guaranty and not a fire insurance policy.

The original suit had been filed by Dallas Assn. of Insurance Agents and Floyd West & Co., with several intervening associations and companies. Its contentions were upheld by the trial court, which knocked out the order of the state board of insurance approving the agreement. Interestingly, the district judge who reversed the board's order was Thomas Ferguson, now chairman of the board.

The appellate court, in its decision of Oct. 25, pointed out that the "liability on the bond is contingent on failure to pay an established loss or insolvency, on the part of the original insurer, and the amount that such insurer is unable to pay becomes the amount of liability on the bond. . . . We do not believe that the approval of the guaranty bond would permit International Service to issue fire insurance policies at unregulated rates."

Under Texas laws, Fort Worth Lloyd's and similar insurers are unregulated as to rates, whereas standard rate companies including International Service, must use state-approved rates.

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King agency of Fort Lauderdale, has moved its offices to 23 West Sunrise Boulevard.

Zurich Names Five In Underwriting, Three In Claims

Zurich has made several changes in its underwriting and claim department.

Richard J. Maerklin, supervising underwriter, Atlanta, becomes superintendent of underwriting at Dallas. David M. Denson, supervising underwriter, Dallas, becomes supervising underwriter at Chicago. Richard D. Peterson, supervising underwriter, Chicago, becomes supervising underwriter at Pittsburgh. Ralph E. McCorkle, supervising underwriter, Pittsburgh, becomes supervising underwriter at Atlanta, and Charles J. Beytebiere, senior underwriter, Seattle, becomes supervising underwriter there.

Robert L. Bemben becomes superintendent of Cleveland's claim department and L. F. Curneen becomes superintendent of Seattle's claim department. John G. Helander joins Zurich as superintendent of claims at Portland.

Mr. Maerklin joined the company in 1929 in New York as an underwriter and in 1955 was transferred to Atlanta as supervising underwriter. Mr. Denson joined Zurich in 1959 as supervising underwriter in Dallas after 12 years with American Surety. Mr. Peterson had been with Continental Casualty for four years before joining Zurich in 1956 as a senior underwriter at Chicago. Mr. McCorkle had been with Maryland Casualty for three years and with Travelers for four years before joining Zurich in 1958 in Atlanta as an underwriter. He was transferred to Chicago in March, 1960 and to Pittsburgh in October, 1960. Mr. Beytebiere was with General of Seattle for five years before joining Zurich in January of this year.

Mr. Bemben has been with Zurich in Detroit since 1951, first as a claim representative and then, since 1958, as a claim supervisor there and at Cleveland. Mr. Curneen joined Zurich in Los Angeles in 1952 as a claim representative and in 1960, became superintendent of the Portland claim department. Mr. Helander was with Fireman's Fund and General Adjustment Bureau as an adjuster and with American Hardware Mutuals as an underwriter.

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General Of Seattle Promotes Johnston

Donald E. Johnston

General of Seattle has raised Donald E. Johnston from sales manager of the southern California division, with headquarters at Panorama City, to director of property and casualty sales. He joined the company in southern California in 1940 and was successively auto and commercial lines underwriter, Los Angeles manager and division sales manager.

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White Is Special In N.M.

Lorren W. White has been appointed special agent of the fire companies of Hartford Fire group in New Mexico with headquarters at Albuquerque. He joined the company as a fire underwriter in Chicago in 1956. In 1958 he was transferred to Dallas, where he served in the special risks, brokerage, marine and fire underwriting departments.

Slawsby Says Measuring Ads Is Difficult

The difficulties of evaluating the effectiveness of insurance advertising were described by Archie Slawsby, Nashua, N.H., in a talk at the annual meeting in Baltimore of Maryland Assn. of Insurance Agents. Because insurance sales involve fairly substantial amounts of money, they seem to reflect not only the effect of advertising but also the result of "the pushing and pulling which goes on in the insurance marketplace."

Another factor in measuring ad effectiveness, Mr. Slawsby said, is that insurance sales are usually delayed. Little coverage is bought on impulse.

Mr. Slawsby described the relative simplicity of advertising a tangible and perishable product with regard to ability of the ad to sell. But insurance is different. The prospect is in the market for automobile once a year (perhaps twice or four times if he is on a direct billing plan.) He is in the market for homeowners every three years—or every year if he is buying coverage on installments.

Cites Difficulties

"The chances are about 24 to one against our advertising the exact coverage that our prospect is in the market to buy on a given day. This calculation assumes that the average policyholder is aware that his policy is running out about two weeks before it actually does. This, of course, is subject to some debate," Mr. Slawsby declared.

Insurance advertising must of necessity leave a longer lasting impression to motivate the buyer when he is in the market for coverage. For this reason, the results of the ads are not easy to gauge.

Mr. Slawsby's agency has been advertising conventional coverages at conventional rates. The agency has been trying to sell "itself" because it claims that its services are "unconventional," a synonym for better.

Since early in 1960 the agency has been using a front page newspaper ad. Some time later, a competitor took space to advertise coverage 50% off the market. Mr. Slawsby's agency noticed a decrease in closing sales with "walk in prospects." The effectiveness of the price ad was increased because it was placed on the newspaper page right next to the Slawsby ad.

The solution to his problem did not seem to lie in changing his ads, Mr. Slawsby said. What he did was find a way to convert a higher number of "walk in" shoppers into customers. He found that the agency was maintaining the same high percentage of conversions of casualty prospects into customers, because the chief casualty underwriter to whom shoppers were referred had a flair for selling. The fire underwriter did not have strong sales ability.

Mr. Slawsby therefore rearranged the schedule so that a salesman would be present every day to speak with walk in prospects. This did the trick. Because each salesman has some inside work to do, he now plans it for the day on which he is in residence for sales talks in the agency.

The agent must "sell" conventional covers at conventional rates, Mr. Slawsby said. For this reason, he does not subscribe to the belief that insurance ads can be measured by sales. Many other factors enter into sales closings. Advertising will not do all the selling. Anything as objective as advertising is an art, Mr. Slawsby concluded.

Trundle Is General Manager At Atlanta

Alfred G. Trundle, manager at Atlanta since 1942, has been named general manager there by Aetna Casualty. Mr. Trundle joined Aetna Casualty at Newark in 1922 as an underwriter. Subsequently he served as chief underwriter and assistant manager at Newark before going to Atlanta as manager. He is a past president of Atlanta Casualty & Surety Assn. and a former director of National Automobile Underwriters Assn.

Celina Appoints Price

Celina group has named E. David Price assistant services manager. In this capacity, Mr. Price will assist D. B. Spangler, manager, in office services, including the processing of printing, supply, mail, fleet maintenance, etc.

Court Upheld Cover Though Furrier Had Understated Values

A furrier who effected insurance by way of the storage receipts he gave his customers was the agent of the insurer, which could not deny liability even though the furrier consistently had understated the values exposed, after a fire destroyed the establishment and the furs it contained. This was the holding of the eighth U. S. appeals court for eastern Arkansas, in Aetna Fire vs Eisenberg and others, reported in 10 CCH (Fire & Casualty) 1070

Aetna Fire's furriers' customers policy covered apparel in the Eisenberg establishment in Little Rock for a limit of $200,000. The policy imposed on the furrier the obligation to keep an accurate record of receipts issued, along with the amount of value stipulated by the customer. He also had the duty under the coverage of reporting monthly the aggregate amount of values set forth in all outstanding receipts.

The policy did not carry a penalty or forfeiture clause in case of false or fraudulent under-reporting of values.

Eisenberg also issued personal fur floater policies in place of the storage receipt, if the customer preferred. As to this coverage, the local agent of Aetna Fire had advised the furrier that he need not report the amount of declared value. Consequently, Aetna Fire did not deny liability on these.

The fire occurred July 22, 1958. During the investigation that followed, it became apparent that Eisenberg had under-reported values by almost $100,000. The district court found that Eisenberg knew that it was necessary to report values and that premiums were based on such values, though Eisenberg denied this.

The appeal court observed that Eisenberg for years had advertised the Aetna Fire coverage and that the insurer had furnished him with advertising cuts.

Terming the policy a third party beneficiary contract, the appeal court ruled that the owners of the property were the real parties in interest and as such could maintain an action on the policy directly against the insurer. The trial court held that though Eisenberg's fraud in under-reporting was a good defense against any claim by him, it was not a defense against the claims of the owners. The higher court maintained this view.

Could Have Known

Aetna Fire was estopped from claiming that it was unaware of the fraudulent misrepresentations of Eisenberg since his records were open for inspection by company representatives. The company had only made two such inspections in the 24-year life of the policy and then only took Eisenberg's word for the values though the property was available for inspection in the shop.

The court also held Aetna Fire estopped from claiming there was no agency relationship with Eisenberg. He had advertised the Aetna trademark and coverage for years. Certainly, the court said, Aetna, which allowed Eisenberg to solicit for it as its agent, gave him the power to perpetrate the fraud and had it in its power to prevent the fraud by making the provided-for audits, should suffer the loss rather than the intervenor-customers.

The court could see no difference between the agency relationship on the personal fur floaters and on the storage receipts.

Vending Machine Promotion

National Vended Ski Ins. Corp. of New York has filed a statement with SEC seeking registration of 550,000 shares of common stock, to be offered for public sale on an all or none basis by Pacific Coast Securities Co.

The company was organized under Delaware law in July to distribute its coin-operated VIA vending machines to selected insurance brokers for installation principally at ski recreation areas, winter ski resorts, water ski marinas, and in sporting goods stores. The company has an arrangement with Security Life & Accident of Denver to write the ski accident policies.

The company has outstanding 45,000 shares of common stock, of which C. Minot Dole, president, and eight other management officials own 11.11% each. Management officials have been issued five year options to purchase an aggregate of 135,000 shares for initial organizational services rendered to the company, exercisable at from $1 to $1.20 per share. Like options covering 30,000 shares have also been issued to Edward R. Bunting, president of Pacific Coast Securities.

Standard Accident Names Probst

Standard Accident has appointed Lawrence M. Probst claim manager at Minneapolis. He replaces William R. Selb, retired. Mr. Probst began his career in 1946 as a claim representative for Standard Accident's Minneapolis claim office. He was transferred in 1950 to head the Duluth claim office, and returned to Minneapolis in 1953. In 1959 he was made assistant claim manager.

Lennihan, Hender Promoted By Chubb

Chubb & Son has appointed Dunning Lennihan manager and George P. Hender deputy manager for claims at Philadelphia. Mr. Lennihan succeeds the late Earl W. Hohbein.


Dunning Lennihan

Mr. Lennihan has been with the organization at New York, Philadelphia and Atlanta. He served for three years as assistant manager of the Philadelphia office.

Mr. Hender has been with Chubb & Son 24 years and is recognized as one of the senior loss adjusters in Philadelphia.

Region VI Women Report Busy Year, Many Plans

Local clubs in region VI of National Assn. of Insurance Women report busy months behind them and busier ones planned for the year ahead.

Insurance women of Lafayette, La., are preparing for the 1962 region VI conference, which will be held in their city March 23-25. The Shreveport group has been assisting with a comprehensive insurance course held by J. Harris Dawrin, special agent Trezevant & Cochran.

The New Orleans contingent during the past year sponsored a vacation safety program in the seventh and eighth grades of public and parochial schools. The Dallas women have scheduled a series of classes on the changes made recently in fire and EC. Charles Blandford, National Union, will be the instructor. The Houston association has appointed as insurance consultants, members of the club specializing in various lines and departments. At Midland, Tex., club members have worked up an analysis of the homeowners policy.

Among other units participating in educational and safety programs are those of Monroe, Shreveport, Lubbock, Tulsa and Fort Smith, Ark.

Reiner To Freeport For Springfield-Monarch

Springfield-Monarch companies have appointed Fred A. Reiner life, A&S supervisor for the midwestern department at Freeport, Ill. He has been traveling east central Iowa for the group.

Replacing Mr. Reiner is Clayton Cram, who will be located at Grinnell, Ia.

In another appointment, the group named James B. Erdmier field man at Peoria. He will service that city and central Illinois.

Illinois AR Plan Meets

Members of Illinois Automobile Assigned Risk Plan at the annual meeting last month in Chicago heard a report from the chairman, Robert K. Anderson, on amendments which became effective March 1.

Manager Edward J. Thau reported on assignments for the fiscal year ending June 30.

The governing committee reelected Mr. Anderson, who is with the Inter-Insurance Exchange of Chicago Motor Club, to serve another year as chairman.

Appoints New NAIA Committee Leaders

Cooper M. Cubbedge of Jacksonville, president of National Assn. of Insurance Agents, has appointed five new committee chairmen. They are Richard B. Elliott of Richmond, agency management, William R. Lee of Chehalis, Wash., casualty, John W. Hemphill of Painesville, O., educational, Dave Johnson of Pensacola, fidelity and surety, and Donald W. Perin Jr. of Chicago, metropolitan and large lines agents. Neil D. Coates of Miami is the new vice-chairman of the casualty committee.

Reappointed chairmen are Stanley W. Greaves of River Edge, N. J., accident prevention, George J. Margraff of Philadelphia, finance, Harry F. Lecrenier Jr. of West Palm Beach, fire safety and civil defense, with Joseph J. O'Toole of St. Louis as vice-chairman, Joseph L. B. Murray of Washington, local board and membership, Julian A. Lenke, of Cincinnati, property, with W. L. Thompson Jr. of Hartsville, S. C., as vice-chairman, and C. D. Swett of Woodland, Cal., rural agents.

Chairmen of special committees are Eben Learned Jr. of Norwich, Conn., advertising, Arthur F. Blum of Rockaway Park, N.Y., automated agency accounting, Morton V. V. White of Allentown, Pa., federal affairs, Louie E. Woodbury of Wilmington, N. C., employment of physically handicapped, and Ralph W. Howe of Richmond, nuclear energy risks. Mr. Howe is also the NAIA representative to U. S. Chamber of Commerce.

New Chicago Agency Formed

Keeler-Wacker is the name of a newly formed Chicago agency of which Joseph A. Toomey, formerly of John E. Irland & Co., Lloyd's correspondents, has taken over management duties. In addition to continuing in the excess and surplus line marketing field, he will develop a general lines portfolio for the new agency.

Many Cook County PI Cases Without Merit, Hugh Johnson Declares

A "notable percentage" of personal injury cases clogging Cook County courts are there needlessly and many are without merit, according to Hugh N. Johnson, assistant general counsel Chicago Motor Club.

Explaining that about 93% of all personal injury claims growing out of motor car accidents are settled by insurance companies without ever reaching the courts, Mr. Johnson said court statistics in Cook County show that the majority of cases tried to final verdict end in findings for the defense.

Mr. Johnson discussed the casualty insurance point of view of Cook County court congestion in a luncheon speech before the Lakeview (Ill.) Lions Club.

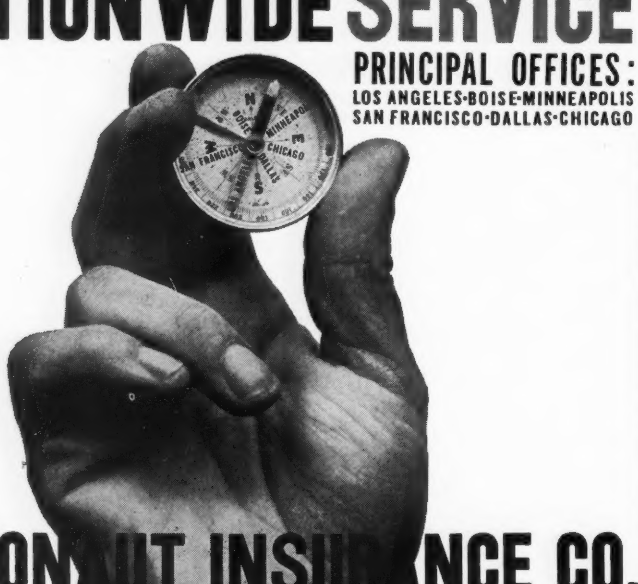
Mr. Johnson argued that the insurance industry, by settling more than 90% of all claims without litigation, is a friend of the courts. Of the less than 10% of claims which arrive in court, only the barest fraction are tried to a verdict, he said. And the results of those few actually going to verdict are a dramatic emphasis of the fact that the insurance companies are operating properly in defending these cases to conserve premium funds which they administer.

"In plain language, a notable percentage of such cases tried to verdict are simply without merit and needlessly force expensive and protracted litigation. The figures show this to be a fact. From Sept. 1, 1960, until July 1 of this year——the last complete court term—there were 312 verdicts of not guilty as against 267 verdicts of guilty with damage awards in all courts in Cook County—federal, superior, circuit, county and municipal. That represents just about 54% of all verdicts for the defense—53.7% to be exact," Mr. Johnson noted.

County Totals

During that same court term in all 102 Illinois counties, he said, 721 personal injury cases were tried to final verdict. Of these, 376 ended in the clearing of the defendant and his insurance company, for a ratio of 52.3% for the defense.

"Significantly, in many of those decisions that went for the plaintiff, the awards arrived at were no greater and often even less than settlements that had been offered to the plaintiff and could have been his for the taking without any expensive litigation whatsoever—without adding to the massive burden of the courts," Mr. Johnson contended. "And under the contingency fee system under which most of these cases are tried, the lawyers for the plaintiff take at least 25% and sometimes up to 50% of court awards."



Phoenix Of Hartford Names Three Special Agents

Phoenix of Hartford has named Joseph J. Hill special agent at San Jose to succeed Jack E. Frost, who has resigned from the business. Mr. Hill will be associated with Patrick A. Leeper, special agent in Santa Clara County.

Donald E. Doolittle has been appointed special agent and transferred from San Francisco to Seattle, where he will assist Mel D. Pountain, state agent, and George L. Langdon, special agent.

John B. Gellatly has been named special agent and sent to Montana to replace Kenneth W. Kinghorn, district manager, who has been reassigned to additional responsibilities at San Francisco.

Calls For A Greater Regulatory Flexibility On Government's Part

If the present system of private enterprise insurance is to progress, Mr. Kerr said, regulation by states must be more effective, but it also must be less restrictive.

The speaker conceded that state regulation of the insurance industry is both essential and desirable, and that state regulation should receive the major share of credit for the growth and maintenance of public confidence in the insurance industry.

However, he asserted, the failure of some states to recognize the need for greater freedom of price and product could become an open invitation for the federal government to superimpose federal control on top of state control.

In this respect, Mr. Kerr said, insurance rates should be established by competition in the open market place. The current trend toward uniform casualty insurance rates in some states is already attracting considerable attention from the U.S. Senate anti-trust and monopoly subcommittee.

Becoming Outdated

Mr. Kerr also asserted that laws pertaining to insurance company investments are rapidly becoming outdated and thus prevent insurance companies from putting policyholder funds to the best possible use.

While advocating greater flexibility of state insurance regulations, Mr. Kerr said this should be done with adequate safeguards to assure insurance company solvency. This, he said, means that most insurance departments need more funds with which to attract and keep competent and experienced personnel. Most insurance regulatory bodies are both understaffed and under-financed to do the kind of effective job that needs to be done.

Iowa AR Plan Meets

Robert L. Hilton, manager Iowa Automobile Assigned Risk Plan, told members at the annual meeting that in the first nine months of 1961 the plan reviewed 8,771 new and renewal applications, a decrease of 2,855 from the same period of 1960. He said this may be attributed to such causes as uniform rates, new substandard markets, etc.

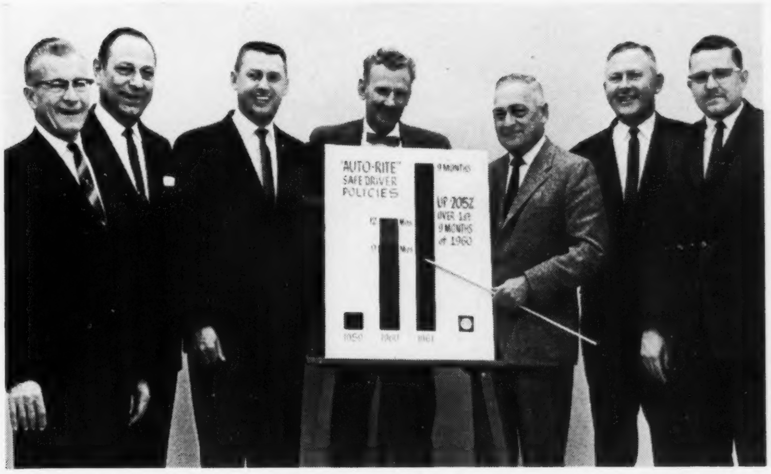
In 1959, the Iowa AR Plan had a BI loss ratio of 82.6 and a PDL ratio of 78.2. For the 3 years 1957-1959, the BI loss ratio was 98.8 and PDL ratio 76.1.

Plan B has been submitted to the Iowa department for consideration and approval, but no action has been taken yet. This calls for utilizing increased basic plus all surcharges on private passenger risks, and on other risks utilizing each company's basic rates plus all surcharges. Under Plan B, the only uniform rate would be private passenger.

Elected to the governing committee were: Arthur Horka, Hartford Accident (National Bureau); George J. Starman, Iowa National Mutual (Mutual Bureau); John Stougard, Western Mutual, (National Assn. of Independent Insurers); John Shiffler, Hawkeye-Security (other stock insurers), and Karl Penniwell, American Mutual (other non-stock insurers).

McCluskey Joins Frank Allyn

Kent E. McCluskey has joined Frank Allyn Inc., Seattle adjusters, as a staff adjuster at Seattle. He had been for six years with Farmers Mutual of Enumclaw.



Six leaders in the recent Aetna Casualty promotion contest for its Auto-Rite safe driver policy are shown during home office conference with William W. Ellis, secretary of the company's agency department, who points to sales growth chart. The top agent in the campaign, Joe Weiland, center, of Clay, W. Va., sold 185 policies in the five-week contest. Other leaders are from left: W. C. Taylor, Harrisburg, Pa.; Paul Cooper, Montoursville, Pa.; Reed Lebo, Millersburg, Pa.; Aulton Vann, Pascagoula, Miss., and Robert Williams, Wilkes-Barre, Pa. The six producers accounted for more than 800 sales. Mr. Ellis reported that for the first nine months of 1961, Auto-Rite sales are up 205% over the similar period in 1960.

Urges Long And Serious Research In Developing, Rating Package Policies

Long and serious research is necessary in the development and rating of package policies if such products are to be successful and profitable, L. H. Longley-Cook, actuary North America, told Pacific Northwest CPCU chapter's all-industry lunch.

There are some insurance executives who, encouraged by the success of the homeowners policy, apparently believe that all that need be done is to staple together a number of old bureau forms, change some wording around a bit, add benefits and allow a 20% or larger discount for packaging.

The development of a package policy falls naturally into three distinct areas, marketing, coverage and rating. The first step is marketing research. It is important to examine the potential market for a new package. If it is to be successful, it will have to be brought to the attention of the public and the company's agents by advertising or other promotional methods. It is essential that the company can look with reasonable probability to a volume adequate to warrant the cost of developing and marketing.

Having decided on the general outline of the new package, the development of the project in detail must be turned over to a qualified research group which will bring together a conglomeration of coverages into a single tidy whole. This is a long and tedious job requiring great skill, experience and attention to detail. The carefully designed package will be one which is attractively presented and easy to understand, not a potpourri of different forms, endorsements and riders, Mr. Longley-Cook said.

Once a new package policy is launched it is necessary to collect expense statistics and loss statistics to determine whether the over-all venture is profitable and to detail information for improving the rating plan.

While a satisfactory industry statistical plan was developed for homeowners, the same is not yet true for the newer packages and greater cooperation is needed between all concerned if the industry is to produce usable statistics in an economic manner.

Standard Accident Promotes Rinschler And Kennedy

Standard Accident has made two promotions in New York. Gerald J. Rinschler has been named supervising field representative at suburban Hempstead and William P. Kennedy attorney of record and head of the legal department at the New York City branch.

Mr. Rinschler joined Standard Accident in 1950 as a casualty underwriter at the New York branch. He was transferred in that same capacity in 1951 to the Hempstead office and later that year became head casualty underwriter there. He was named field representative in 1953 and has held that position until his most recent appointment.

Mr. Kennedy joined the company in 1950 as a claims representative at Newark. In 1957 he was transferred to the New York branch's legal department where he served as subrogation attorney until his present promotion.

O. O. Allen Is Elected President Of Statesman

O. O. Allen has been elected president and treasurer, and J. M. Bone secretary of Statesman of Indianapolis. Other members of the Statesman group are State Auto, Timeco, an insurance financing organization. Auto-Mobile Underwriters has elected A. L. Bernd president, O. O. Allen executive vice-president and treasurer, R. L. Stewart vice-president, and J. M. Bone secretary. The company is the attorney-in-fact for State Auto.

R. J. Bowling Joins National Fire

Robert J. Bowling has joined National Fire as agency superintendent in charge of the western department's A&S operations at Chicago.

Mr. Bowling started his business career with Continental Casualty in 1954 in the southern central special risks division. In 1955 he was transferred to manage special risks operations at Denver. Since 1958 he had been regional manager at Chicago in charge of the association group division.

Fire Investigation, Subrogation Meet Has Five Full Days

The second annual fire investigation and subrogation seminar will be held at the Carillon Hotel in Miami Beach, Fla., Nov. 26-Dec. 1. Sponsored by the University of Miami, the meeting will consist of a full week of sessions—with a panel being featured each day.

Daniel Steinhoff, dean adult education University of Miami, will be chairman of the first session at which which Florida Commissioner Larson will tender a welcome and Shelby Gallien, director public safety institute Purdue University, will outline the purpose and plan of the seminar.

Speakers Listed

The afternoon session, with D. C. Kennett,, chief Miami Beach fire department, as chairman, will have as speakers John Kennedy, chief special agent John A. Kennedy & Associates, Chicago, "Who Investigates Fires and Why?" A. M. Willis, deputy state fire marshal, "Role of The Law Enforcement Officer in Fire Investigation;" Peter Nilsen, chief Surfside, Fla., fire department, "Chemistry of Fire;" and L. C. Crockett, manager fire-multiple lines department Utica Mutual, "Interpretation of a Typical Fire Insurance Policy." A summing-up panel will follow this session, participants being the afternoon speakers plus Edmund W. Sinnott, partner of Pope, Ballard, Uriell, Kennedy, Shepard & Fowle, Chicago, and Herbert A. Kuvin, professor University of Miami Law School.

Prof. Gallien will be chairman of Tuesday morning's session. Donald Ridge of Diver, Diver & Ridge, Waukegan, Ill., will speak on "The Attorney's Viewpoint in Subrogation;" Bruce Smith, executive secretary National Assn. of Independent Insurance Adjusters, "The Need For Independent Insurance Adjusters," and Mr. Sinnott, "Subrogation Investigation of Fires and Explosions."

Smith Is Chairman

Mr. Smith will be chairman of the afternoon session. William G. Coppock, L. J. Shaw & Co., Chicago, will discuss "The Adjuster Lays The Groundwork for Subrogation;" Prof. Gallien, "Arson Trends and Fire Problems," and Mr. Kennedy "Interviewing Witnesses and Signed Statements."

A panel on current insurance problems follows. Representing National Assn. of Independent Insurance Adjusters will be L. B. Hazzard, New York, past president, and H. B. Wellborn, Hattiesburg, Miss., president. For National Assn. of Public Insurance Adjusters will be Martin Dietz, New York, president; Sidney Greenspan, Los Angeles, vice-president, and George E. Gordon. Others on the panel include Herbert L. Grant, Consolidated Mutual, Brooklyn; John C. Hagensick, fire loss manager Reserve of Chicago, and Mr. Coppock.

An evening session will feature a demonstration of electronic aids and devices by Bernard Schwartz, Michigan Electronics.

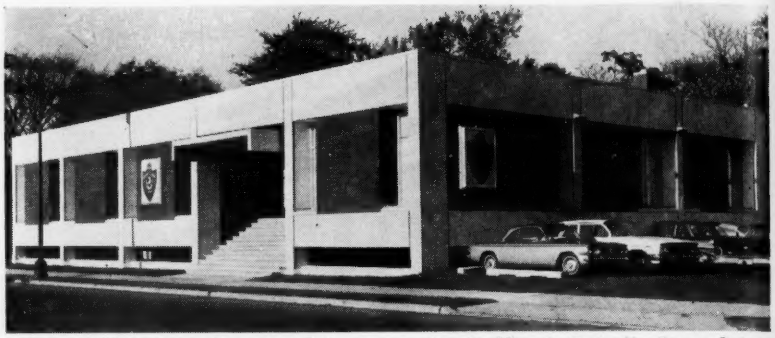
Wednesday's morning session will have Mr. Hagensick, "The Loss Adjustment of Substandard Fire Insurance Claims;" Mr. Gordon, "The Role of the Public Insurance Adjuster," and E. B. Rood, of Rood, Dixon & McEwen, Tampa, "The Case for the Plaintiff." Mr. Coppock is chairman of this session.

With Mr. Kennedy as chairman, the afternoon session will have Lloyd W. McNally, general manager Underwriters Salvage, Chicago, "Salvage—Its Importance and Preservation;" Stephen J. Nagy of Tenney, Sherman, Bentley & Guthrie, Chicago, "The Case for the Defendant;" Prof. Gallien, "Gas Chromatography," and a panel on salvage and evidence with Messrs. McNally, Gallien, Kennedy and Nagy.

Thursday Program

Thursday's sessions will feature Mr. Hazzard, "Role of the Insurance Adjuster;" Mr. Kennedy, "Physical Evidence and Fire Photography Illustrated;" James E. Kehoe, officer in charge Chicago fire department arson squad, "Searching the Fire Scene;" Mr. Ridge, "Damages;" Henry Hyde of Hyde & Jones, Chicago, "Litigation;" C. Dana Bossart, Pittsburgh, "Juveniles and Fires," and a panel of attornies on "Pre-Trial Discovery": Messrs. Sinnott, Ridge, Hyde, Rood, Nagy, and Kuvin.

The final day consists of Mr. Kuvin, "Recent Trends in Subrogation Decisions;" Mr. Kennedy, "Proving Negligence Through Fire Investigations;" Mr. Sinnott, "Preparation of a Witness;" Mr. Kennedy, "Writing the Final Investigation Report;" a panel on "A Report of the Latest Developments in the Fire Investigation and Subrogation Field," and a summary of the five-day seminar by Prof. Gallien.



Royal-Globe formally opened its new regional office in Detroit, shown herewith, with an open house for agents. On hand to greet guests were Clarke Smith, president; E. R. Voorhis, vice-president and western territorial executive, and M.J. Rhew, agency and marketing vice-president. The new building is headquarters for the group's operations in Michigan. Charles F. Cliggett is manager, and J. A. Fortescue claims manager. Highlighting the displays, which featured services available to agents of the group, was a miniature replica of Royal-Globe's electronic data processing equipment. Guests attended a reception at the Latin Quarter after touring the office.

The two-story building houses a staff of more than 80 employes. In addition to underwriting, production and accounting facilities, the office contains an employes' lounge and conference room.

Continental Casualty Booklet Explains Surplus, Excess

A pocket-size pamphlet explaining the operation of excess and surplus insurance has been published by Continental Casualty's excess and surplus lines division. Titled, "The Continental Marketing Guide for Excess & Surplus Lines," the booklet offers concise, detailed explanations of the kinds of insurance coverage that are included under the separate terms "excess" and "surplus." In fewer than 30 pages, the guide covers such diversified subjects as excess liability, excess umbrella, excess workmen's compensation, errors and omissions, unusual risks and special events.

The guide is part of a long-term effort on the part of the division to apply well-established marketing principles to this phase of insurance. Agents and brokers, insurance companies and educational departments have received copies of the booklet.

Continental's excess and surplus lines division was established in 1954 with three people; today the staff numbers nearly 70 handling on annual premium volume of approximately $18 million.

Conduct Fire Prevention Program For Distilleries

A fire prevention week program was conducted by American Risk Management at all the distilleries insured by Distillers Ins.

A film, "The First Five Minutes," was shown to employes and was followed by group discussions pertaining to fire prevention problems both at work and at home. This program was conducted by Morton E. Luber of the Chicago office of American Risk Management, and Arthur H. Deters Jr., of the Louisville office.

Previously, tests were conducted of all existing and new lightning protection systems at the distilleries by G. R. Morton, Lee Pankratz, and Roger Schindler of American Risk Management.

Xmas Safety Materials

A complete line of materials to promote fire safety at Christmas is now available at National Fire Protection Assn., 60 Batterymarch Street, Boston 10. A folder, A Happy—and Fire Safe—Christmas, describes the safe handling of Christmas trees, lights and decorations, and other safety measures.

Sparky, NFPA's fire dog, is featured on a Christmas poster, and appears on a new Christmas tree coloring card for children. The card includes a pledge for children to keep the tree well sparks and flames away while it's standing in the home. After it is colored the card may be hung on the tree as an ornament.

Aetna Fire Names Maloney

Aetna Fire has appointed John W. Maloney special agent in the Hartford branch office. Mr. Maloney joined the company in 1959 in the A & S department. He has recently completed the company's multiple line training school for field men.

The executive committee of West Virginia Assn. of Independent Insurors at a meeting in Charleston voted disapproval of National Bureau's **franchise filing,** which already had been turned down by the West Virginia department.

Menner Has Electronic Communications System

Leo B. Menner & Co. of Chicago has installed electronic equipment which will provide instantaneous communication with its London markets. The equipment is among the first of its kind in Chicago and has only previously been available to companies operating communication systems.

By dialing specific code numbers, connections can be made with other subscribers throughout the world as well as other U. S. cities. The time lag previously experienced in cable and telephonic methods will be eliminated.

To Sponsor Denver Buyers' Meeting

Commercial insurance programs will be outlined Dec. 5 at a conference for buyers sponsored by the Van Schaack agency of Denver as a highlight of its 50th anniversary. About 150 buyers from the Rocky Mountain area will attend the discussions of fire rating problems, fidelity bonds, marketing trends and other subjects. William R. Kersten, vice-president CPCU Society, is manager of the Van Schaack agency.

Selected Risks Does Better In 9 Months

Selected Risks, Branchville, N. J., had written premiums in the first nine months of $11,677,346, a rise of 8.4%. Policyholders surplus was $6,320,401, up $1,654,729. Investment income was $371,770, a rise of 15.8%. Underwriting profit before taxes was $276,449, compared with $35,971. The incurred loss ratio, including loss adjustment expense, declined from 63 to 60.2, while the expense ratio increased from 33.4 to 33.6

Directors declared an extra dividend of 10 cents a share, in addition to the usual quarterly dividend of 30 cents. An extra of 10 cents was declared earlier this year, bringing to $1.40 the total paid in 1961.

New York Board has elected Richard P. Halley, assistant secretary Aetna Fire, vice-chairman of the committee on losses and adjustments to succeed Fred G. Buswell of America Fore Loyalty, retired. J. N. Blegen, vice-president America Fore Loyalty, becomes a member of the committee to fill a vacancy.

Two Are Named By Middle Department On Hill's Retirement

Middle Department Assn. of Fire Underwriters has designated H. Reed Mullikin executive manager, effective Jan. 1, 1962. He will succeed Carlyle H. Hill, who requested relief from administrative duties. Mr. Hill will continue for a specified period as secretary. C. Neville Wight will become assistant executive manager Jan. 1.

Mr. Mullikin has been with the organization since 1923, and Mr. Wight since 1958. Mr. Hill has been executive manager since 1942.

Williams Joins Employers Casualty In Arizona

Charles A. Williams has been appointed Phoenix manager of Employers Casualty and Employers National of Dallas to replace William E. Beil, resigned.

Mr. Williams, a graduate of the University of Arizona, has worked in the Arizona field for Maryland Casualty and Springfield.

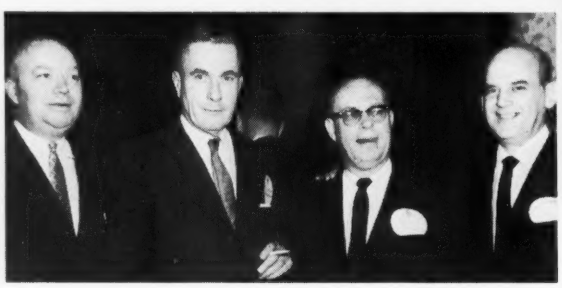
Photos Of AMA Chicago Meeting

Dana Durand of of R. B. Jones & Sons, Kansas City; Ray W. Dietrick, H. D. Lee Co., and Reid Cloon of Illinois R. B. Jones, in the Jones headquarters.

In Bankers Life & Casualty suite: Ron Nelson and George Mauloff of Marsh & McLennan; Robert Ewing of Bankers L.&C.; Noel T. Pinkerton, Cleveland agent; H. Robert Larkin, St. Louis agent; William Burns of Bankers L.&C.; Tom Conroy of Pullman Inc., and Tom Atkins of Bankers L.&C.

Les Markhoff, Detroit Gasket & Manufacturing Co. in Byrnes-McCaffrey headquarters with Howard Erzinger of Byrnes-McCaffrey; Edward I. Herrold of General Motors; Merritt Schwenk, Fruehauf Trailers; W. K. Haven, Allied Mills, and W. T. McWhorter, Procter & Gamble.

A. F. Swanson, Swift & Co.; E. E. Smith, Electric Energy; Gus Johnson, Rollins Burdick Hunter, and A. T. Persson of Toplis & Harding at the RBH party.



John Mulligan of Continental Casualty; Richard Carpenter of Continental Casualty; Paul Capps of American Home, and Fred Cappetta of American Glass Co.

John T. Cooley, United Bank of America, Chicago; Gordon Parks of Rollins Burdick Hunter Co.; Alban Weber of Northwestern University; Norman Freeman of RBH; W. S. Kerr of Northwestern, and John Smith of the Chicago law firm of Lord, Bissell & Brook.

Peter Burke of American Society of Insurance Management at RBH party with R. F. Dempsey, Motorola, and G. J. Burns of Continental Illinois National Bank & Trust Co. of Chicago.

E. T. Berquist, Pure Oil Co.; Arthur H. Henderson and George Lutton of American International Underwriters, and W. K. Helvia, Ohio Oil Co., in A.I.U. headquarters.

At Travelers headquarters: Front row—Edward Tank, Travelers; R. W. Bland, Pipe Line Co., Kansas City; A. G. Dodd, Travelers; H. A. Blocker, Johnson & Higgins. In the back, George Spencer Jr., Trunkline Gas Co. of Houston, and S. Gwyn Dulaney, Travelers.

Ray Kenny of RBH with G. O. Eckley of United Air Lines and George Burrows of RBH.

George Tessmer, American Home; Oliver E. Weed of Rollins Burdick Hunter Co.; A. J. Smith of Crum & Forster, and Herbert Brook, Illinois attorney-in-fact of London Lloyd's, at the Rollins Burdick Hunter Co. party.

Ray Matson of First National Bank of Chicago with Herbert J. Lorber, chairman of Rollins Burdick Hunter Co., and J. Russell Hanson of the First National Bank.

Francis X. Reilly of Wilson Co.; Adrian Palmer of RBH; Charles Schaniel, United Bank of America, Chicago; and B. E. Davidson of Rollins Burdick Hunter.

Peter W. Freilich, Corroon & Reynolds, with William T. Fee, newly named vice-president of Employers Re, at RBH party.

James Kennedy and Jack Sutherland of Rollins Burdick Hunter Co. agency at the RBH party with Donald Treash, Libby, McNeill & Libby; Arthur Burrows of RBH; G. J. West of Libby, McNeill & Libby, and Mark Gault of Parker Hannifin Co.

In the Stewart, Smith (Ill.) headquarters: Front row—E. T. Berquist, Pure Oil Co.; C. Z. Greenley, International Mineral & Chemical Corp.; Charles Mule of Stewart, Smith. In the back row: Oliver E. Weed, president Rollins Burdick Hunter Co.; Frazier Wilson of Stewart Smith; Gene Wilson, Collins Radio Co., and H. A. Frederick of Stewart, Smith.

In the Kemper group room: H. F. Morgenthaler, Daystrom Inc.; Walter White, Kemper group, and Howard G. Doersching, Milwaukee Gas & Light Co.

Buyers Hear Bradford Smith Blast Rates At AMA Fall Meet

(CONTINUED FROM PAGE 2)
he called "the four main links in the chains which bind us."

With certain exceptions, such as California for all lines and District of Columbia and Missouri for casualty, admitted insurers are subject throughout the country to the all-industry pattern of regulation, he pointed out. Under this system few rates can be used until they have been approved by the departments of every state having jurisdiction of the risk. In a typical nationwide coverage, this may mean as many as 50 separate filings, departmental reviews and discussions.

Mr. Smith contrasted that procedure with the freedom of the non-admitted insurer, which makes no filings, does not submit to a review and can charge whatever rate it wishes on each individual risk, without regard to the rates on any other risk of the same type.

More stringent still are the difficulties of the admitted insurer in supplying the form of contract it is asked to write. On multi-state risks there is again the problem of repeated filing, review and argument. Here, moreover, many states spell out the precise language which must be used in the contract. It has been Mr. Smith's experience that an admitted company, even though independent, may require from two to three years to secure approval of a new form for fire or multiple lines in only 75% of the states. He cited his own company's introduction of homeowners in 1950. Today, 11 years later, there are still states where this contract cannot be sold.

Multiple location risks involving several states present a particularly acute problem to admitted insurers. They have been forced to extreme lengths to adjust these coverages to the differences in various state laws. Aside from out-of-pocket expense, the cost of paperwork has been substantial. By contrast, a non-admitted insurer, especially if it can show that a risk was placed out of state and not through a licensed resident agent, is freed of all this effort and expense, with resultant ability to undercut the rates of the admitted insurer.

Laws Require Commission

The countersignature laws of many states require that a commission be paid to the countersigning agent. These fees are as high as 50% of total commission in some states.

A final burden more heavily imposed on admitted than on non-admitted insurers is taxation. Many alien insurers are at least partially exempt under tax treaties from federal income taxes. Transactions involving alien insurers are subject to a stamp tax, but Mr. Smith questioned the efficency of collection. He said that state premium taxes appear to be collected on less than one-third of all non-admitted transactions.

He summarized the problem as follows:

—Present regulatory laws are so inflexible that they will not permit independent action by admitted insurers to meet competition of non-admitted insurers in a substantial area of business. Therefore, regulatory laws are driving business to non-admitted companies.

—When non-admitted insurers are allowed to do business in the U. S. without complying with state regulation of rate and form, serious questions are raised as to whether such regulation is really necessary to protect insured.

—There is substantial evidence that the admitted market does compete more successfully with the non-admitted in areas where regulatory authorities are less meticulous as to the rates and forms used.

—The rapid growth of domestic companies operating on a non-admitted basis demonstrates the need for removing the "confining regulatory yoke" imposed on admitted insurers.

—Federal authorities will not continue to ignore a situation in which a large segment of the insurance market avoids practically all regulation and a considerable amount of taxation.

Fundamentals To Solution

Mr. Smith also listed several fundamentals he believes should be included in considering a solution:

—The first consideration must be the interests of insured.

—In weighing the degree of regulation required to satisfy those interests, it is proper and necessary to distinguish between insured purchasing routine forms of coverage and business or industry, employing professional buyers to purchase more intricate coverages.

—If public interest is best served by regulation, it follows that regulation of non-admitted as well as admitted insurers is required.

—Competition in rate and form is in the public interest.

—Equality of opportunity is a basic principle in the U. S.

—The right of insured to purchase all forms of coverage in a competitive

market must be protected.

—All forms of insurers should be required to bear their fair share of the tax burden without opportunity for evasion or avoidance.

Views Solutions

Mr. Smith suggested one solution to the problems of unequal opportunity is to place the foreign and non-admitted under the other half of the yoke now imposed on admitted insurers alone. This, he said, would be wrong in theory and harmful in practice. The principles of free enterprise require equal opportunities, not equal handicaps. Furthermore, U. S. constitutional theories may make the equal handicap impossible. In any case, it is the admitted insurer who would suffer by the restriction of the market. The true solution, Mr Smith believes, lies in freeing admitted insurers rather than in shackling their competitors.

He said currently there is a strong effort afoot on the part of admitted insurers to loosen these shackles in the field of rates by eliminating prior approval. Some commissioners hold that they must review every rate and form to protect insured from gouging, Mr. Smith stated. Others warn that elimination of prior approval would result in rate-cutting and force small companies out of business. "Actually, the experience in California, Idaho and Montana has shown that reasonable competition, under laws which prohibit and punish improper practices, protects the public better than prior approval laws."

In the same way, Mr. Smith urged, existing laws should be revised to give the admitted insurer corresponding freedom in the field of forms, especially regarding large risks requiring tailor-made coverages. "There may be some excuse for standard clauses and uniform wordings in the case of the small policyholder, unfamiliar with the complexities of our business. But such narrow literalism has no place in regulating the dealings of well trained . . . buyers."

Thorough Overhauling Required

To complete the task of securing competitive equality for admitted insurers will require a thorough overhauling of the presently complex rules governing countersignature and the inequality of tax burdens, Mr. Smith predicted.

One should not confuse insurance with a natural monopoly such as a public utility, in which case regulatory domination of rate making may be tolerable because of the absence of restraining competition, he said. Given a reasonable degree of freedom, there is no absence of competition in the business.

Mr. Smith concluded with a plea to buyers to help companies in abolishing burdensome regulatory laws.

In a related key was another highlight of the convention, the panel on legal, tax, administrative and underwriting considerations in establishing an insurance operation in Bermuda. This comprehensive discussion encompassed every conceivable aspect of the subject, from U. S. tax laws to racial relations in Bermuda.

Martin C. T. Jones, vice-president and a director of the New York branch of Swan & Everett, London brokers, opened the panel with an analysis of underwriting advantages and disadvantages. As did the other panelists, he stressed that a foreign subsidiary should be a bona fide operation and not just a "brass plate."

He mentioned three possible avenues of protection open to a corporation: outside insurance, self-insurance, and insurance through a captive company. In the first instance, money is spent on risk premiums with loading for home office expenses, while the only "income" is from losses sustained. In self-insurance, output is for losses sustained and enlarged insurance department reserves, while income is received from the investment of reserves. If the corporation owns a captive insurer, there is risk premium for home office expenses only, plus salary for a part-time insurance executive. Savings are derived from losses sustained plus dividends from the captive company.

The captive company is not a new concept, Mr. Jones explained. He cited the trade mutuals; Home Fire of Utah, established by the Mormons; and Canton Ins. Co., as well as several companies founded by shipping lines, chemical manufacturers, and brokers and agents. He pointed out that all these companies have become active general insurers.

Limited Portfolio Uneconomical

The reason for their expansion from captive status has been that a limited portfolio is uneconomical. Every company attempts to obtain spread against unforeseen catastrophe. The lower the number of units insured, the smaller loss it takes to constitute a catastrophe. This spread is obtained in two ways: through extending a wide agency and branch network, and through reinsurance with other companies, preferably those not confronted with the same exposures.

The captive company automatically has a lower expense on business originating from the owning corporation, Mr. Jones said, and this produces an over-all reduction of loss ratios. However much exposure to the captive is reduced, though, the catastrophe element remains. The primary objective should be an unfluctuating level of profit.

Sidney R. Pine, New York attorney, examined tax aspects of a Bermuda based operation. He emphasized that no formation of a foreign insurer should be undertaken solely for tax reasons. The guiding concern must be sound business motivation.

If a Bermuda company is considered resident in the U. S., he said, it is taxed on all of its U. S. income. If it retains its Bermuda residential status, it is taxed only on a portion. The test is whether a foreign insurer engages in any U. S. trade. Therefore, an insurer created in a foreign country as "a mere shell" with no real activity would be considered fully taxable by the federal government. In addition to tax complications, Mr. Pine warned, the insurance laws of many states attach even criminal liability to maintaining such an insurer.

Assuming, however, that non-residency is established—including separate offices and bank account and officers that are not only figureheads—the company will be taxed only on divid-

ends from U. S. securities and interest from U. S. operations. This leaves the non-resident company the following advantages:

—All income of the Bermuda company is untaxable.

—Capital gains on U. S. securities are not taxed whether they are long or short term. This makes securities an important vehicle for the investment of surplus funds.

—Premiums on all foreign risks are non-taxable. Premiums on U. S. risks are non-taxable provided acceptance of the risk takes place outside the U. S. and that the contract is binding outside the U. S.

Mr. Pine warned that all foreign companies are carefully scrutinized to see, first, that they are bona fide and, second, that the business relationship with the U. S. company is a genuine one rather than an arbitrary shifting of money to avoid taxation. The operation should be handled legally and properly from the foreign country where the company is established.

Not 'Captive,' He Says

Mr. Pine objected to the use of the word "captive" in connection with the company he recommends. It has an autonomy in that all but the hugest decisions are made independently of the parent company. He stressed that every taxpayer can legally and honorably take steps to reduce his tax obligations. The formation of a foreign insurer is not tax evasion or avoidance.

The previously mentioned tax advantages mean that in a short period of time a large surplus can be accumulated, Mr. Pine said. In fact, the tax deferral privilege—no taxation until a dividend is declared—allows a company to double its rate of acceleration. He mentioned three restraints insurers should keep in mind:

—If legitimacy of business purpose is not demonstrated, the courts may disregard the corporate entity of a company.

—If the foreign company is established through the transfer of assets or securities which have appreciated in value, the appreciation may be taxed. Mr. Pine recommends capitalization either with cash or with unappreciated assets.

Keep 'Arm's Length'

—The biggest danger results from a company failing to do business at "arm's length" from its subsidiary. The commissioner of internal revenue has the right where there are related companies to re-allocate income and expense to reflect more clearly the true income of each company. Though there is a certain amount of flexibility, Mr. Pine advises that all prices and dealings between the parent company and its foreign affiliate approximate the charges that would exist between two unrelated companies.

David H. Graham, partner Conyers, Dill & Pearman, Bermuda law firm, described technical features of setting up a company in Bermuda. He listed several principles considered by the local government in granting approval to such a company:

—The emphasis is on quality rather than quantity. The government does not want large numbers of companies coming in for a few years and then leaving. Sound, long-term projects are encouraged.

—The concern must be reputable in every sense and must follow British policy in such matters as trade with China or Cuba.

—It may not be a cloak for avoidance of taxation. The Bermudan government does not want to become involved in operations that are legal in Bermuda but illegal in the U. S.

—The company must be truly a Bermuda company, with management and control there, although the shareholder control may be elsewhere.

Formed By Petition

Mr. Graham explained that companies are not formed in Bermuda by registration, but by petition to the legislature. The petition procedure need not be of concern to the bona fide company and does not require attendance of a U. S. representative. The cost of incorporation is approximately $1,400. A minimum capital of about $15,000 is required.

The government of Bermuda hopes that all companies there will maintain their own staff, though it is acceptable for a temporary one to be set up. The board of directors must be not less than three, and company officers must include a president, vice-president and secretary. Officers are encouraged to operate from Bermuda.

Sir Henry Tucker, general manager Bank of Bermuda, concluded the panel with a tempting list of social and

material advantages extended to companies based in Bermuda. Among those he mentioned were a convenient base of operations, government record of integrity, English language and common law, lack of crippling tax burdens, a long record of financial solvency, excellent communications with the mainland, a cost of living comparable to that in the U. S., and intelligent attitudes toward racial problems.

Pamphlet Available

For those interested in pursuing this subject further, a pamphlet entitled "Bermuda—A Base for Foreign Business and Investment" has been published by Mr. Pine and Mr. Graham.

Another panel considered management control of the risks of accidental loss. Participants were James C. Crist, Upjohn Co.; Neill F. Crowley, American Cyanamid Co., R. H. Lander, Merck & Co., Rahway, N. J.; and Gerard J. Rabbett, Charles Pfizer & Co., New York.

Arne Fougner, president Christiania General of New York, described rehabilitation as a function of accident insurance. A. Hawthorne Criddle, executive vice-president Ostheimer-Walsh, discussed the use of financial statements in corporate risk analysis.

A graphic analysis of guiding principles for U &O insurance was presented by Francis X. McCahill Jr., American Cyanamid Co. Of particular interest was his list of the procedures generally followed in adjusting business interruption losses:

—Loss is determined by the differential between anticipated and actual production.

—Sales before or after loss are used as a guide in determining whether or not production planning is prudent, but not as a factor in measuring loss.

—Changes planned in inventory position and production rate before the loss, or during the period when production would have continued had there been no loss are used in establishing lost production.

—Production re-scheduled after loss because of the loss is not used.

—If inventories are used in whole or part to meet sales commitments and considered, therefore, as reduction of loss, the claim settlement will include the cost of restoring inventory. If insured at the time of loss is operating at full capacity and cannot replace used inventory after loss, the item will be counted as lost production. If he is not operating at full capacity and the inventory can be restored, such part of losses shall be based on the extra expense of so doing. If insured is not operating at full capacity, but elects to restore inventory, the claim settlement shall be based on the production loss as reduced by the loss of inventory.

—If unit costs are used in loss settlement, they shall be those which would have prevailed had there been no loss.

Time Duration Unlimited

—The time duration of U&O loss is unlimited. Dollar duration, however, applies.

—The policy insures the company and its subsidiaries rather than individual plants. Therefore insured is obligated to step up production in other plants to reduce the claim whenever possible. Loss adjustment should be determined on a company-wide basis.

Daniel W. Pettengill, actuary Aetna Life, viewed cost controls in employe benefit programs, Roy A. Westran, Kaiser Aluminum & Chemical Corp., told how to build a planned no-insurance program, and Robert K. Thompson, assistant secretary Seaboard Surety, discussed the background, intent and history of advertisers' liability.

Government contractors' exposure to catastrophe risk, with special attention to the adequacy of insurance and government indemnity, was reviewed by Kenneth C. Hall, General Electric Co., and Arthur W. Murphy, Baer, Marks, Friedman & Berliner, New York attorneys. Ernest L. Clark, president Corporate Advisors Inc., spoke on checking the corporate insurance program. Mr. Clark's speech is reported in detail elsewhere in THE NATIONAL UNDERWRITER.

On display at the convention was survival car II, developed by Liberty Mutual group. The automobile incorporates many novel safety design elements which reduce the probability of serious injury in a crash. Most unusual are the high-backed bucket seats to replace the conventional three-place front seat.

Heavily attended among the traditional events at the AMA meeting were the informal reception and buffet supper held by Rollins Burdick Hunter Co., and the breakfast in the headquarters suite of Kemper group.

Points To Pitfalls In Unorganized Insurance Buying

(CONTINUED FROM PAGE 6)

insurance managers. There is no substitute for direct communication in analyzing exposures and extent of possible loss. If inspections are not possible, adequate material can often be secured by means of questionnaires. However, questionnaires must be written in a manner that can be easily understood by non-insurance personnel. In addition, questionnaires should be first subjected to test runs to selected branch offices in order to eliminate any misleading statements or questions, before any general circulation is made.

One company mailed out questionnaires to all branch locations but the questions asked were so misleading that no definite conclusions could be drawn from the replies. Another company sent out inquiries pertaining to business interruption and was surprised to find that they were 50% underinsured on contingent business interruption.

The use of incomplete data can often be embarrassing, Mr. Suter noted. One insurance manager, in reviewing his past losses, noted that the company had incurred some $350,000 in uninsured losses due to mechanical breakdown of certain specialized equipment. He therefore decided to purchase insurance for this exposure. Because of loss history, underwriters were reluctant to insure such equipment, except at high premiums. After coverage was finally obtained, further investigation developed that these losses were caused by improper design of the equipment. Later it was revealed that the design had subsequently been corrected and that the company had been reimbursed by the manufacturer for the losses incurred. Thus insurance was purchased for an exposure which did not exist.

In another case, an $80 million company decided that it might be well to have a full inspection made of its property because of the number of losses recently insured. Among other things, the inspection revealed that one $250,000 installation had not been reported to the insurance department, research material valued at $500,000 was not insured, and one of the local branch plants had built a small baseball park and sponsored a company team, all of which were not properly covered for liability.

Coverages Available

Mr. Suter said that just because insurance may not have been available in a given contingency in the past is no reason that coverage cannot be procured in present-day markets. Ebasco receives many requests to tailor-make forms for special situations. While the nature of some of these requests is amazing, the firm usually finds that special coverage can be procured in domestic or other markets by the insured's agency representative. One recent request came from a client who had purchased a $10 million tract of land for industrial and community development. Owing to the natural beauty of the land, the client was concerned that a fire might destroy the landscape to the extent that it would reduce the value of the land itself or would reduce land values adjoining the damaged property. He was able to procure protection.

In another case, a fertilizer plant desired coverage against the loss of profits on its manufacturing operations. This client felt that due to long-term financing and sales agreements, insurance could be purchased against a loss of profits which might occur because of inadequate plant design as to capacity and marketing conditions, as well as mechanical breakdown, fire and other named perils. While such types of coverages are somewhat out of the ordinary, it was still possible to provide the insurance required.

Once insurance programs have been properly conceived and executed, businesses are usually faced with what appears to be a routine job of renewal. While such policies should not be thrown up for grabs at every renewal, with the lowest bidder being warranted the privilege of writing it for the term, it is good practice to test the market every few years. In this way the buyer can determine if insurers are giving him every possible liberalization available and whether the rate and costs are competitive. Although special situations may require different handling, it is prudent practice to secure competitive quotations every three years on one year policies and every six years on three year contracts, Mr. Suter recommended.

Other Examples

If these procedures are followed, the results will often surprise even the professional. In analyzing the employe benefit program of a small bank in the middle west, Mr. Suter found that coverages should be brought up to date because the program, having been in effect for some time, was not in line with those of similar institutions. In checking costs of competitive proposals, it was learned that due consideration had not been given to favorable loss experience. As a result, the bank received a retroactive adjustment amounting to 20% of premiums paid during the past year, along with notification that certain coverages would be broadened upon renewal.

In another case, a multi-million dollar electrical manufacturing plant requested a cost analysis of its present program which was being handled by one of the large domestic superior risk writers. Mr. Suter's firm noted that rating penalties were being applied for conditions which had been eliminated five years ago. As a result, fire premiums were reduced 15%.

Agents should be given proper information. Too often, corporations expect the agent to perform miracles with a minimum of information. In one case, a small metal-working plant, that was reluctant to provide the agent with its financial records, asked the agent to produce a certain amount of insurance based on figures furnished to him by its accountant. When a fire occurred, insured could not understand why he was able to collect only 70% of his loss.

Utilizing Services

Many buyers do not make the best use of the services available to them, Mr. Suter said. This often proves to be costly to the purchasing company. He recalled one case where the insurance manager had elected to deal directly with the insurance market for a special type of all-risk builders risk coverage which was required for a new plant under construction. His contention was that he was able to negotiate a rate for this coverage which was two cents below the rate that was secured for him some five years ago on another plant. With the cost of insurance rising, he felt that this was quite an accomplishment. However, his previous policy had been negotiated when such coverage was relatively new, and other companies had long since been obtaining rates 10 cents below previous levels. Although the amount of insurance was only $6 million in this case, the illustration shows that rate negotiations can often be costly unless they are handled by those who are working with insurance markets every day.

Another client asked Mr. Suter's firm what it thought of a liability rate recently secured from underwriters which was $10,000 below the premium he was paying. Review indicated that present insurance was adequately priced and it was felt that due to the previous favorable relationship with his present insurer, any change in underwriters might jeopardize his protection in the future. However $10,000 savings are difficult to pass by, and the insurance was placed with the new insurer. Two years later, the new insurer felt compelled to cancel in mid-term or to seek additional premiums, with the result that the client was forced to pay some $50,000 above the cost of his former coverage.

In another case, a small steel plant in the west negotiated personal accident coverage for supervisory and key personnel which cost only one half of the former premium. Subsequent review of the policy indicated that only one-half of the former coverage was being provided and that the policy reimbursed insured only upon death.

Mr. Suter thinks the competitive revolution in insurance has just barely begun. Changes will be more far reaching than those proposed by the advocates of direct billing, continuous policies, punchcard endorsements and automation. Changes in the future will have a drastic effect upon the marketing, servicing and placement of insurance. The key reason is "money."

Current trends in corporate risk management indicate an ever increasing use of deductibles. While they may not be best in all instances, their use will increase rapidly, as buyers become more and more aware of the savings involved.

Typical Example

A typical example of false economy in providing first dollar insurance was provided by a midwestern retail company whose annual fire premiums were $100,000. The seven year premium-loss record indicated insurance costs of $700,000 as against losses of $1,268. This company's record for insurance expenditures hardly indicates that values were received for costs expended.

In a company's zeal to cut costs, insurance managers are often stampeded

into the use of unrealistic deductibles, into patronizing underwriters with questionable capacities, and into limited coverages and underinsurance. One company in the south embarked upon such an austerity program and asked for competitive bids. As a result, the competing underwriters obtained the business either by limiting coverage or by submitting low bids initially, with the hope that past loss histories would improve. In two years with a new insurer, liability premiums had risen by some $40,000; in the company's only fire, $25,000 in losses were not paid that would have been collected under the former policy; and the settlement of another loss was still in process of negotiation. A cheaper product is not the answer to the cost problem.

Majority Tailor-Made

To date the majority of "all-lines" policies have been tailor-made to meet the particular requirements of the buyer, Mr. Suter observed. Although producers of this type of coverage have not concentrated on any particular type of industry, the writing of "all-lines" packaged insurance has for many years been closely associated with the retail trade field. Recently, however, this coverage has been finding wider acceptance in other fields. Similar to the multiple peril package policies, the "all-lines" policy of the future will be designed to fit the need of individual types of industry, such as food processors, retail stores, metal workers and other categories.

In addition to cost saving through packaging, the advantages of control, and elimination of possible gaps or duplication of coverage will be outstanding. In serving clients, Mr. Suter has seen companies saddled with 100 to 400 fire policies, other companies which are administering programs with up to 1,500 policies, and still others which deal through nearly 40 agents and half as many companies. In these instances the time alone required to check such programs, becomes an outstanding expense item. Thus, the development of an "all-lines" policy will satisfy the ever increasing demand by insurance buyers for broader protection accompanied by lower cost and ease of administration, Mr. Suter predicted.

Recent Experience Shows Value Of Excess Employe Dishonesty Coverage

More that 6,000 U. S. banks have fidelity insurance of more than $1 million each under bankers blanket bonds or a combination of such bonds with supplementary employe dishonesty insurance, Thomas F. Glavey, vice-president of Chase Manhattan Bank, stated in his annual report as chairman of the insurance and protective committee of American Bankers Assn.

During the fiscal year ended Aug. 31 he said, the number of banks which have supplemented their bankers blanket bonds with $1 million excess employe dishonesty insurance increased from about 2,000. These were for the most part small or medium-size banks. Some large metropolitan institutions have blanket bonds providing coverage as high as $10 million.

Embezzlements Rise

The importance of banks carrying $1 million excess fidelity protection is emphasized by the fact that 1960 was the first year in which bank defalcations of $10,000 or more exceeded 100 in number (111) and $10 million in amount ($10,109,698). The upward trend continued during the first half of 1961 when 65 such losses were reported aggregating $8,557,228.

Seven of the 65 losses reported during the first six months of 1961 exceeded the amounts of the BBB coverage and were underinsured a total of $2,292,220, Mr. Glavey reported. One bank with a bond of $100,000 sustained a loss of $2,175,000 and was closed by supervisory authorities. The six other banks were underinsured for $217,000

However, losses in three additional banks exceeded the BBB coverage by $1,393,831, but the three each carried $1 million excess employe dishonesty insurance and were fully insured. One bank with deposits of $2.5 million and a BBB of $200,000 sustained a loss of $495,938. The bank was paid the full amount of its bankers blanket bond, and the balance of the loss was covered under the $1 million excess. Without the excess, it capital of $100,000 and surplus of $200,000 would have been depleted.

The second bank had deposits of $7.8 million and discovered a loss of $685,748, which exceeded the BBB by $385,748. The third had deposits of $61 million and a bond of $700,000. Its loss was $1,412,145, of which more than 50%, $712,145 was insured under the excess.

The experiences of these three banks clearly emphasize the advantages of $1 million excess employe dishonesty insurance, particularly among small and medium sized banks, Mr. Glavey commented.

Of the $8.5 million in defalcation of $10,000 or more reported during the first half of 1961, more than $5.5 million was discovered in only five banks, he said. Thus there is no widespread wave of embezzlements by bank personnel. Most dishonest acts of officers and employes are discovered before losses reach catastrophic amounts, which is testimony to the effectiveness of audit and other internal loss preventive measures. Mr. Glavey cautioned banks not to consider insurance as the sole answer to protection against employe defalcation losses, but to continue to improve audit programs.

Crimes of violence against banks totaled 444 and losses aggregated $1,748,323 in the year ended Aug. 31, he reported. This was an increase of $659,364 over the losses reported in 438 crimes during the preceding year Teamwork between bank personnel and police accounted for quick arrests and full recovery of $364,146, the total loot in 52 of the 251 successful attacks. Partial recoveries totaling $294,659 were made in 24 other cases. The fact that one-fourth of the 337 bandit attacks during the fiscal year were frustrated is evidence that bank personnel continue to meet the holdup problem with commendable success, he said.

In the last fiscal year 52 successful bank burglaries caused losses totaling $416,455, including damage. Recoveries amounting to $127,095, occasioned by the arrests of 31 burglars, reduced total losses to $289,360. This is $188,849 more than losses of $100,511 in 42 burglaries reported during the previous year.

Cooke Honors Fellowship Winners At N. Y. Dinner

At a dinner in New York, Ben D. Cooke, president of Agency Managers, sponsor of the Anglo-American insurance fellowship, was host to the winners of the award. These are Ward B. Gordon of Marsh & McLennan, William Barrett of Albert Willcox & Co., and Brian Burrows of Edward Lumley & Sons of London. Mr. Barrett is this year's American winner, and Mr. Burrows is the current holder of the British fellowship to the U. S., where he is studying American insurance. Robert Daum of North America, a former winner, was in South America.

Other guests at the dinner were Richard Jones, vice-president of Agency Managers; Harold Davis, counsel; Bruno Shaw, public relations consultant, and Arthur C. Goerlich, president Insurance Society of New York.

$500 For CPCUs

When Charles R. Wilcox of South Glastonbury, Conn., special agent of Mutual of Hartford group, was awarded the CPCU designation, his associates honored him at a luncheon at the home office, and John Alsop, president of the group, presented him with a check for $500. This is a special bonus offered by the company to every employe who attains the CPCU designation. Previously he was with North America as a fire and auto special agent and automobile liability underwriter in Pennsylvania, New York and Connecticut. Since joining Mutual of Hartford he has been a fire underwriter and special agent.

Insures Building Of Tower

The first of 22 Coast Guard stationary light towers, which will replace present stationary light ships along U. S. seacoasts, has been completed 15 miles southwest of New Bedford, Mass. Construction of the project was insured by a builder's risk policy in North America through the Pittsburgh and Philadelphia offices of Fred S. James & Co.

Government Employees reported written premiums in the first nine months of $57,652,932 compared with $50,940,566 in the similar 1960 period. However, net income was $4,392,680 or $2.10 a share at the 1961 three-quarter mark, against $5,147,672 or $2.46 for the same period in 1960. Drop in earnings was attributed to increase in accident claims.

Says Buyers Need Ingenuity, Thought In Managing Risks

(CONTINUED FROM PAGE 10)

plier if the stock on hand is destroyed? How long would it take to have new materials sufficient to put the plant in operation? Is power for plants dependent on a source that may be cut off, which might require off-premises U&O coverage? Is some of the essential machinery difficult to replace?

Mr. Clark emphasized the necessity of keeping records that wil lprove a U&O loss. There is no form of insurance that has created so many difficulties in loss settlement, he stated. Particular attention should be paid to the wording of the form attached to the policy. The buyer should weigh every word to get its full impact. There are few court decisions to rely on for guidance, he pointed out, and experience is the main teacher.

Methods used by rating bureaus for arriving at a rate do not truly measure the risk, Mr. Clark contended. A plant might have standby facilities to replace 100% of its production. The insurer, however, may give no consideration to this situation in the rate, although when a loss occurs, insured is expected to make use of all such facilities. Buyers should urge this point through organizations they have formed for such purposes.

Research Lab Problems

Research laboratories have presented new problems in U&O coverages, he said. It may be difficult to prove the loss resulting when a research laboratory must be closed. To establish a loss from interruption of laboratory operation, records must show the results of lab work in the past and how its stoppage would effect the sales of the company. The sales in question may be both those that would have been gained from new products and those that would not have been lost because research developments could have kept present products up-to-date and competitive. The projection may be five years ahead, Mr. Clark observed, but if a delay in operation of a research lab would eventually cause a loss, the insurance manager must develop proof.

He recommended the commercial property floater as a new development that buyers might consider. With this development many buyers have been able to revise their coverage to provide what amounts to all-risk insurance. A program can be worked out which includes merchandise, furniture and fixtures in sales office, improvements in rented locations including all warehouse locations formerly covered under a multiple location policy, transit insurance, and crime bond, burglary and theft.

Crime Bond Contract

Well publicized losses from employe thefts have awakened many employers to the need for large fidelity coverage, Mr. Clark reported. Coupled with this development, the relatively new crime bond contract offered by many insurers indicates that it would behoove buyers to study crime risks and the markets available for writing this kind of coverage. The thoughtful risk manager should be able to evolve a policy that wil cover the areas of crime hazard peculiar to his organization's requirements. He should also make sure that his company's policy is receiving full experience credits currently being allowed under the latest rating formulas.

Mr. Clark pointed to a new problem in protecting an avenue of possible loss. Many corporations are using machines to write and sign checks automatically. The machines sometimes make mistakes in printing the amount on the checks by adding extra ciphers. Though a reputable payee will return either the check or the excess amount, "a small recipient of doubtful credit might get one of these checks for a substantial overpayment and decide to take an extended vacation." To Mr. Clark's knowledge, this hazard is not included in any of the coverages under a crime policy.

Steam Boiler Developments

Perhaps the greatest change in insurance thinking and contracts in recent years has occurred in steam boiler and machinery, he said. New processes being developed by manufacturers create unusual explosion and machinery hazards. It takes considerable survey and study to arrange such coverage, he warned. The risk manager should bear in mind that shutdown is a greater hazard than property damage from this source.

He pointed out that there is increasing emphasis on electrical power supplies and the method of getting the power to the machinery. The buyer should therefore consider the need for protecting such equipment. Replacement value is often more vital in steam boiler insurance than in other forms, even if it accomplishes nothing more than simplifying the settlement of a loss.

Mr. Clark stressed that when steam boiler U&O is not carried, it is impor-

tant to be certain that the amount of expediting insurance is adequate, particularly if it involves heavy or intricate machinery difficult to ship or install.

Machinery Study Urged

Since steam boiler U&O is available in different forms and for different lengths of time, a sound risk analysis and many hours of study are necessary to determine how much, what form and what kind of coverage is required Mr. Clark said that often buyers are surprised to learn how long it takes to replace certain kinds of machinery. They depend upon the availability of package boilers to give them prompt return to operation, but some sizes are not quickly obtained.

Another form of coverage risk managers have found of value recently is difference in conditions insurance, Mr. Clark said. He cited several examples of actual loss which were not included under fire and extended coverage: a flooded stock room resulting from a lift truck striking a water pipe; cave-in of a foundation under heavy machinery; contamination of a food manufacturer's stock from the exhaust pipe of a truck parked, with engine running, by an open basement window.

Trying to keep public liability policies up to date presents another knotty problem to the risk manager, Mr. Clark averred. "Lawyers are finding new reasons to make claims; limits of insurance have required boosting by many times the figures that were formerly thought adequate. The questions of assumed liability under contracts have greatly broadened so that the policies must be similarly extended."

Liability Coverages

Although the attention of buyers has often been called to the need for adding occurrence coverage and PDL that includes employes to comprehensive liability, Mr. Clark noted that there are many policies that do not have these improvements. Liability coverage should cover accidents anywhere in the world, he said. Many policies are limited to the U. S. and Canada.

Workmen's compensation is one form of insurance that does not give the buyer much leeway for broadening the protection, Mr. Clark said. If the insurance manager's program includes adequate employer's liability limits, all states endorsement, voluntary medical and voluntary state, and if the policy covers accidents outside the U.S., the protection is as adequate as can be bought. The buyer can devote his activity to reducing claims. There is no end to the amount of work that can be done in this area if the buyer's jurisdiction extends to safety work, in Mr. Clark's opinion.

Among other areas that buyers might consider he mentioned auto liability—with special attention to occurrence—contingent and owned airplane liability, airplane hangar coverage, products liability, and umbrella insurance.

Ellis, Disbrow Named By Glens Falls In Ad, PR Unit; Helm Retires

Glens Falls has named Glenn Ellis manager of the advertising and public relations department to succeed Harry G. Helm, retired. Jack T. Disbrow becomes assistant manager.

Mr. Ellis joined the company last May. He had been with House of Seagram at Montreal as director of marketing development and assistant to the president. Mr. Disbrow has been in the advertising and PR unit since shortly after joining the company in 1958.

Mr. Helm had been with Glens Falls 33 years and since 1931 had been in the post from which he retired. He is a past president of Insurance Advertising Conference. He has been current chairman of the ad committee of Marine Office of America and a member of the PR committee of American Foreign Insurance Assn.

Celina Group Names Clemmons At Norfolk

Celina group has named Milton H. Clemmons special agent for Virginia at Norfolk.

Mr. Clemmons has been office manager of the Pungo agency there. Formerly, he was an agent with Mutual Life of New York and Life of Virginia.

Allstate Appoints Seven

Allstate has made seven appointments. Albert A. Oster was made executive information manager-sales, at the home office; Frank L. Fitch, zone underwriting supervisor—life, A&S, White Plains, N.Y.; Robert R. Johnson, assistant underwriting manager, Dallas; Armand E. Silvestri, operating division manager, West Hartford, Conn.; Russell A. Duncan, operating division manager, Sacramento, Cal., and C. Richard Miller, district sales manager, Seattle.

West Virginia has approved Home's auto liability policy which limits the company's right of termination. It has also approved Allstate's auto policy endorsement limiting cancellation to specific causes.

Weighs Results Of Competition

(CONTINUED FROM PAGE 24)

tem. The reduction of the number of companies represented by agents means a form of "musical chairs" for companies—with only the fittest surviving. Moreover, companies must find new techniques of agency underwriting for a profit which slows the present practice of agency termination. American States, Mr. Phelan said, is attempting to develop profiles of profitability of agency business to tell when trouble may be developing before high loss ratios have actually arrived.

If price competition and mechanization are handled intelligently, the office girl of the agency of the future will be less a bookkeeper and record keeper and more a production assistant helping the principals of the agency develop greater sales volume for their sales efforts.

Both fire and casualty companies and fire and casualty agents in the future will need life insurance, he said. Mr. Phelan doubts there has ever been much public demand for "one stop service" but in today's competitive situation there is certainly a great necessity for the fire and casualty agent to increase his income by writing life insurance lines for the people who are his natural customers for life insurance. And there is a great need on the part of fire and casualty companies to have the stability of earnings which life insurance operations can give them.

Engage In 'Cream-Skimming'

A number of large life companies have grown fat on the production of fire-casualty agents. Fire-casualty companies cannot and will not permit this cream-skimming to continue in their agency plants. Casualty agents in the future, Mr. Phelan said, will generally write more life insurance and will place it where it will do them good with other lines. The "water-level" of life insurance written will be raised and the total business of life insurance will gain as a result of this activity.

Mr. Phelan believes life companies will come into the fire-casualty field—not because fire-casualty companies are going into life insurance but because, by exploiting brand life insurance names in the fire and casualty area, they can subsidize new agents and sustain marginal producers. They will add to the competition.

Life people will be jolted by the profit problems of fire-casualty insurance and spend a pretty penny learning the insurance business, he predicted, but many of them have plenty of money and are accustomed to the long view.

R. L. Howard Joins Phil Grossmayer Co.

Robert L. Howard has joined the field staff of Phil Grossmayer Co., managing general agents of Portland, Ore. He had been superintendent of agencies in Oregon for Aetna Fire.

Mr. Howard joined Aetna Fire in 1952 in the survey department. He was later with Fireman's Fund at Portland for two years and returned to Aetna Fire in 1955 as a special agent there. He was raised to his most recent position in 1960.

W. L. Campbell, president General of Seattle, presents graduation plaque to Donald Hurley, Knoxville, top scholar of the company's four week school in commercial lines. The class of 37 agents was drawn from coast to coast in the U. S. and Canada and brought to 98 the number of agents trained at the home office in 1961. The company's next commercial lines school will be held in 1962.

Tidewater Oil Offers Credit Card Insurance

Tidewater Oil has inaugurated a credit card insurance program in its western division. The program will provide travel accident insurance as a customer credit service through local agents and brokers in conformance with standards established by International Assn. of Health Underwriters. IAHU recently approved of the use of credit cards as a useful insurance mechanism and noted that credit cards perform a public service when their use is confined to a collection function and any insurance agent is permitted to write coverage.

Tidewater coverage is offered by Beneficial Standard Life and features a $10,000 accidental death or dismemberment benefit (which becomes a double indemnity of $20,000 should the accident occur on a weekend or holiday), and up to $1,000 for medical expenses resulting from the accident, at a premium of $2.25 per month.

Any agent or broker may forward the premium and the Tidewater application directly to Beneficial Standard and receive his regular commission.

Ohio Adjusters Hold Annual Fall Meeting

Ohio Assn. of Independent Adjusters held its annual fall meeting in Columbus. Lloyd Desit, Cincinnati, president of the association, presided. The meeting was attended by 35 members. W. T. Cuddy, secretary Buckeye Union, and James Greer, fire claims manager Beacon Mutual, discussed office procedures used by their respective companies in processing claims.

Mangano Eyes WC And The Litigation Bogey

(CONTINUED FROM PAGE 8)

arguments are unassailable and will be persuasive so long as efforts continue to superimpose upon the present WC system any plan calculated to "insulate" the rehabilitation team against supervision and control, and particularly from any form of "litigation."

"What, then, do we have to fear? Precisely the fact that reformers will not stop with half measures if the only cure for the ills they envision is to scrap the whole system in exchange for a "collective" fund, all in the name of rehabilitation. Of course, the word "collective" is out of fashion because of its unpleasant connotations. It will be called a compulsory state fund or even a state monopoly, but not collective," Mr. Mangano declared.

"It must be plain that the only way to avoid litigation under our state and federal constitutions is to establish a collective fund and then to allow every claim that is asserted, regardless of merit," he continued. "To deny a single claim without an opportunity to be heard is unthinkable. To deny to the employer a similar right to be heard is equally unthinkable. This is our constitutional way.

Upholds Litigation Rights

"Litigation, in short, is not a nuisance but a right. We may have much to learn from other jurisdictions. Litigation is not the antithesis of rehabilitation. One has to do with the protection of basic rights, the other with a particular form of their implementation," Mr. Mangano declared.

"What is not generally appreciated is that in New York, after a false start, we have struck a middle ground. Our system is neither court-administered on the one hand, nor a state monopoly on the other. We have by no means arrived at the millenium, but our system of self-insurance, competitive state fund, and private insurance company coverage has much to commend it. Our system of adjudication, though lagging behind in some important areas, is in keeping with developments in our own country in the field of administrative law.

Devised For Injured Employe

"The WC system was devised for the benefit of the injured employe. Let us bear in mind that a "claimant" is not necessarily an 'injured employe.' Once we learn this distinction we may at least begin to see the forest. The act should be considered for what it is and was originally intended to be, namely, a scheme by which compensation is provided in respect of injuries to workers in industry. It is not a system for dispensing charity. It is not unemployment insurance. It is not social legislation for the purpose of elevating the standard of one group in society at the expense of another," Mr. Mangano declared.

No doubt, much needs to be done to improve the administration of WC in New York. Methods must be sought to speed up the process of trial and adjudication; to reduce, or to eliminate altogether, hearings where no justifiable controversy exists, and to reduce the time between trial hearings to days or weeks instead of months.

"We must learn once and for all that there is no magic in unrestricted and unlimited choice of physician by either employer or employe. We must become hard-headed about piddling and imaginary permanent disabilities that bear no conceivable relation to earning capacity, and increase benefits in genuine disability cases to realistic levels.

"We must, above all, re-examine the scope and venue of judicial review. Decisions against the overwhelming weight of the evidence must become impossible.

"We must assure security of tenure and adequate salaries to referees. Rehabilitation procedures may indeed have to be vitalized, but it is silly to talk of greater responsibility of employers without giving them a voice in the selection of physician. Filing forms will accomplish little.

Must And Can Be Done

"All this, and more, must be done, and can be done, speedily and within the framework of procedural due process, with all the safeguards of fair hearings, administrative review and right to appeal on questions of law."

Arbitrary and unreviewable discretion should be conferred upon no one, whether administrator, doctor, or doctor-administrator, Mr. Mangano said. Any proposal to substitute the clinic for the hearing room must be examined with a cold and fishy eye, he concluded.

Six Named CPCUs At Conn. Chapter Meeting

Five company men and an agent were awarded the CPCU designation at a luncheon meeting of Connecticut chapter.

John Adam Jr., president Worcester Mutual Fire, representing American Institute, pointed out that the new designees may eventually rise to office in CPCU affairs and may have to exercise the principles of management. These are the same in CPCU work as in business. "Good managers don't try to make a horse drink; they try to make him thirsty so that he will drink," Mr. Adam observed, pointing out that people must be stimulated to the desire to achieve.

Pittsburgh Club Elects

Insurance Club of Pittsburgh at its annual meeting elected Joseph H. Kronz of National Union president, Dick L. Moorhead of Boston vice-president, Thomas B. MacNamara of General Accident secretary, and Paul D. Hogan of the Kelly & Hogan agency treasurer.

Mr. Moorhead has been appointed chairman of Pittsburgh I-Day, which is the oldest of those affairs. This will be the 36th one for Pittsburgh and will be held at the Hilton Hotel March 13.

Sales Jobs Must Have Management Slant

(CONTINUED FROM PAGE 14)

this potential of professional evaluation, the salesman must be armed with equally competent support. He must learn what factors are likely to be decisive and he must devise a way to deploy the resources of his own firm so that a profitable sale results. He must decide what type and how much market research is required to identify the prospect's real need. He must know what technical support he needs, when he needs it, and how it can be used most effectively. This adds up to management, Mr. Mapel said.

It matters little whether or not the purists recognize that a substantial management content is present in the average sales job. What does matter is the fact that many top managements have failed to respond to the change. They are aware that their salesmen are no longer able to sell with only a persuasive demonstration of their product's functional superiority. They know that the salesman must be a "resource manager" who must invest corporate resources other than his own time and selling skill in a profitable way. They expect this. They demand it. But, many of them have responded by only demanding. In many cases, reliance on conventional organization structure is a symptom of their failure to respond intelligently to the market changes.

Organizational Flaws

Most businesses are organized for the day-to-day processing of routine transactions. This is necessary. But some organizations are so rigid they inhibit the salesman's capacity to respond to crucial selling opportunities. An organization should be flexible enough to provide the salesman with prompt and easy access to the resources he is expected to use. In many cases, the conventional organization structure places them beyond his reach, or by the time he can reach them, the opportunity is lost.

Mr. Mapel took market research as an example. He wonders how many market research staffs can help an individual salesman identify a major prospect's "timely" problem. In his view, not many can do so. Most of them are too busy charting the disposable income by 1976 to be bothered with such trivia. Their managements, in many cases, have them too infatuated with the future to be aware of the need to survive in the present.

Mr. Mapel also wonders how many individual salesmen can quickly reach back into their organization and get the prompt assistance of the right technical specialists, and how many organization structures encourage, rather than restrict, the selective flow of the right information to the salesman. Equally important is the question of how many facilitate the selective flow of marketing intelligence from the salesman to management.

Sales In Low Esteem

Mr. Mapel noted that there is justifiable concern about the decline in public regard for the salesman and the disappointing quality of young men who are entering the marketing field. While it may not be the overriding reason for adding management content to sales jobs, it is nevertheless important that this be done so that capable young men can be attracted to selling. Many able young men appear to see salesmen as men of rather dubious character whose income depends on their techniques of persuasion. They are aware that selling offers substantial dollar rewards to its successful practitioners, but many young men do not regard selling as a promising route to general management. They do not believe that salesmen are given an opportunity for personal achievement. And, finally, they are convinced that salesmen do not enjoy the respect and confidence of their fellow citizens.

Efforts To Check Trend

Some have tried to check this trend by referring to salesmen as members of a profession. Some associations give annual awards to the member who has contributed the most to the "sales profession." Many sales managers make speeches on the subject. Mr. Mapel thinks that all of this is sheer folly. Everyone wants to achieve the distinction of being a true "professional" rather than an inept, bungling amateur. But, it's a mistake to equate the difference between a member of a profession and a competent craftsman.

There is a better choice than using the dubious tactic of calling sales a profession. Responsible persuasion is actually a noble art. The public attitude toward persuasion can be changed It only requires accurate and honest presentation.

"We spend a great deal of time and money on increasing the persuasive skills of salesmen. We try to teach them what to say, when to say it, and even which resonant tones it should be said in. At the same time, persuasive skill is often not decisive. It's more likely to be only a qualifying factor. If you are persuasive, you are then able to start even with your competitors. The number of sales situations where personal persuasion skill is not even a qualifying factor is steadily increasing The personal content in selling is actually declining in many fields. It is true that the growth of

advertising is in part a response to the increasing cost of personal salesmanship. Advertising may be salesmanship in print, or salesmanship in sound, or visual salesmanship. It may be based on the most esoteric motivational research and it may be persuasion but it's not the old-fashioned belly-to-belly brand," Mr. Mapel declared.

As markets have become more tempting and more lush, the hazards of trying to compete have increased at an equal pace, he continued. It's only self indulgence to think that present markets will grow without comparably severe demands being placed on the businesses competing for those markets. And, the businesses which profitably compete in the new markets will translate the "New Potentials in Salesmanship" into reality by developing salesmen who, at least in part, share in the stewardship of the resources of the organization. They must be stewards who have the knowledge and are given the latitude to invest those resources in changing suspects and prospects into customers.

Wichita Changes For Phoenix Of Hartford

J. Max Marshall, state agent, has been placed in charge of the Wichita office of Phoenix of Hartford group. He joined the company in 1947 as a special agent in Kansas. Previously he was in the local agency business.

Marvel K. Carnahan has been promoted to special agent and will assist Mr. Marshall. He joined Central States Fire, which has since been merged into the Phoenix group, in 1935.

N. C. Bureaus Reelect

W. F. Laughlin has been reelected general manager of North Carolina Automobile Rate Administrative Office and North Carolina Compensation Rating & Inspection Bureau. P.A. King Jr. was reelected assistant manager of the compensation bureau. Paul L. Mize was reelected manager of the assigned risk plan and assistant manager of the auto rate office.

Hartford Accident was elected to the governing committee of the auto rate office to succeed General Accident, which asked not to be reelected. Other members of the bureaus' governing committees were reelected.

North Carolina Automobile Rate Adminstrative Office decided at its recent annual meeting to file for a 25% increase in liability rates on commercial vehicles. Commissioner Charles F. Gold recently approved an increase of 18.7% in liability rates for private passenger cars.

Mo. Blocks Measure That Would Hold Coverage To Loan Amount

Judge Blair of Cole County (Mo.) circuit court, in an unusual night session on Oct. 31, temporarily blocked enforcement of a state regulation that would have reduced fees being charged by some small loan companies for insurance covering their loans.

He gave the Missouri department of finance until Dec. 11 to show why it should not be permanently restrained from adopting the regulation, which would limit the amount of fire, wind and/or EC insurance a lender may require on personal property to an amount equaling the loan. Under present regulations, a loan company can require insurance equal to the value of the property, which is usually considerably higher than the loan.

The proposed legislation was promulgated by Layton Pickard, commissioner of finance, under the Missouri consumer credit act, and would have been effective Nov. 1. A suit to enjoin Mr. Pickard from putting the measure into effect was filed by Ambassador agency of St. Louis, managed Joseph Oxenhandler.

Irving Dagen, attorney for the agency argued that the new regulation would permit only three insurers operating in Missouri to sell the type of insurance involved. He further contended that the regulation in effect amends the state's insurance statutes and controls the insurance superintendent's power contrary to the law. He also said that the rule would be discriminatory because it does not cover insurance on motor vehicles issued under the same measure.

Commissioner Pickard, commenting on the suit, said that while apparently only three companies would now qualify, at least 100 others could get their rates approved. He stated that the regulation was not meant to penalize loan companies in any way, since most of them have abided by the state's consumer credit law.

American Names Sokoly

American has named Joseph Sokoly casualty manager at Detroit. He replaces Edwin A. Davis, resigned. Mr. Sokoly joined American at St. Louis in 1952, and after graduating from the advanced multiple line training program was transferred to Detroit as an underwriter. Later he was advanced to underwriting supervisor, his most recent position.

Royal-Globe Veterans Dine

The annual dinner in New York of Royal-Globe Guards, organization of employes who have served the companies 25 years or more, was attended by more than 500 of the 1,065 active and retired members. The midwest division held a luncheon in Chicago and the west coast unit held a dinner in San Francisco.

Selected Risks Declares Extra

Selected Risks Indemnity of Branchville, N.J., has declared an extra dividend of 10 cents along with the regular quarterly of 30 cents. This is the second such extra to be paid this year, so the total distribution for 1961 is $1.40. Underwriting profit for the nine months is $276,449 against $35,971 last year. The combined loss and expense ratio was 93.8. Investment income was up 15.8% and there has been an increase in surplus since Jan. 1 of $1,184,003. Surplus to policyholders at Sept. 30 was $6,320,401.

Banker Sees All Employes In Marketing

The necessity for "pluses" in marketing was underscored by Eugene B. Mapel, vice-president Chase Manhattan Bank, in an address at the annual meeting in New York of National Assn. of Mutual Insurance Companies. He spoke at a session of American Mutual Insurance Alliance.

Mr. Mapel said it was not a startling revelation that the services of competing banks have much in common. They are relatively equal until someone succeeds in adding a plus to the service itself or to the way the service is offered in order to make it distinctive or superior. He suspects that an insurance company's services are basically the same as those of its competitors. It is doubtful that a given insurer's services include anything basic that makes it either unique or superior.

Need For Discipline

Baseball is a game of inches, Mr. Mapel remarked, but it is not the only one. The difference between success or failure is usually an inch, particularly in marketing.

The quantitative difference between a poor marketing program and a good one is minute. It is usually the difference between the standard product or service and others which include a "plus"—no matter how small—that make them better. The difference may be small but the variance in results is substantial.

Marketing is a discipline, Mr. Mapel declared, where problems are systematicaly analyzed and studied, and carefully planned approaches for solution are developed and tested. Adherence to this discipline is indispensable in arriving at a plus in service that will meet the needs of customers better than that of the competition. A number of small pluses add up to a total of superiority.

Each Employe Is Marketer

One "root idea" in his organization's marketing program is that each and every employe must market the bank and each of its services. If only the specialized "sales employes" sell, many opportunities are lost. Promising contacts with prospects and customers are neglected.

A new concept in marketing sees every one in a company—from the elevator operator to the chairman—arranged in one long marketing spectrum. Within it, personnel are arranged according to their potential impact in influencing, persuading and selling customers.

This is not a compartmentalized concept, Mr. Mapel emphasized. It is qualitative. Each employe has the quality of influencing—to a greater or lesser degree—those with whom he comes in contact.

This concept is a potent marketing tool. It will not solve all problems, but it is a powerful aid. Problems which defied solution under a compartmentalized concept become manageable when illuminated by the marketing spectrum idea.

Education Plan

If a company views marketing in this light, it cannot place employes in two categories: Sales and all other. It begins by accepting the idea that a job is established because it has a potential for persuading or selling customers. Then the company decides to what degree this element exists in each job in comparison with all others. Jobs are then arranged without any arbitrary lines of division, with those with the most remote impact on customers at one end of the spectrum, and those with maximum impact at the other.

Then the company begins an all-out education job on every segment of this spectrum, Mr. Mapel said. Employes are taught to see the marketing elements in each of their activities. The company allocates its marketing education effort on the basis of the job's place in the marketing spectrum. The company "forgets" what department the employe is assigned to, and remembers the potential impact of his work on the customer. This does not solve the company's problem. But it focuses the effort. It directs marketing education to the employes who can make the most productive effort.

Greatest Potential

Most of today's marketing opportunities do not result from new customers in Mr. Mapel's view. Most marketing success depends on getting additional business from old customers. To persuade the latter to increase their use of the product or service, a company must build in or add a plus

Another basic idea is to keep prospects and customers aware of the organization's leadership. People like to do business with a leader.

Mr. Mapel believes that the idea of insisting that each employe accept and fulfill marketing responsibilities is applicable to insurance companies. He sees marketing as a discipline within which a superior way of meeting the needs of customers must be discovered and promoted. Success depends on arriving at a systematic and thorough program which ultimately adds and profitably sells a plus that fits customer needs in a superior way and fits the needs of the business itself for profitable and durable leadership.

Barnard Promoted

Robert E. Barnard has been named superintendent of the fidelity and surety department at the Boston office of Hartford Fire group. He has been with the home office fidelity and surety division since he joined the company last year. He previously was a general partner for 15 years in the Barnes-Barnard-Geare agency in Cumberland, Md.

Field Men Hear III Man

Mississippi Capital Stock Insurance Assn. and Casualty & Surety Assn. of Mississippi held a joint meeting in Jackson to see a slide prseentation on the 1960-1961 activities of Insurance Information Institute.

Insurance Fieldmen's Assn. of Georgia, Atlanta Mariners Club and Southern Casualty & Surety Assn. held a similar meeting in Atlanta. R.M. Mc Farland Jr., director of the southeastern regional office of III at Atlanta, narrated the presentation at both meetings.

F. & D. Advances Shafer

Fidelity & Deposit has appointed Lester D. Shafer to the dual post of manager and attorney of the salvage division of the claim department. He succeeds Oliver W. Littleton, who has retired after 47 years with the company.

Formerly assistant manager of the unit, Mr. Shafer has been with the company at the home office since 1929.

Gerber Gives Views On Changing Picture In Insurance

(CONTINUED FROM PAGE 21)

and auto may very well be thrown into homeowners. Anything is possible when it can be seen developing. For instance, who ever thought fictitious group was possible? he asked.

There are some things not to lose sight of, however, he added. Even if rates are lowered to meet competition, the merchandise must not be an inferior product. Agents cannot afford to make the "grevious error of giving the public something inferior. The public will not stand for restrictive cover, cancellations, selection of underwriting, etc. at the expense of the buyer."

Where do lower rates come from then? queried Mr. Gerber. The answer lies possibly in the experience of other merchandising fields. "We'll see a number of mergers in not only companies but agencies." he declared. "There will also be some unfortunate situations if some smaller insurers who can't meet competitive forces fall by the wayside. I would regret deeply to see this, because the insolvency of an insurer is worse than that of just any other type of firm. I don't believe in the philosophy that if they can't make it, it's just too bad. Legislators of 50 states made insurance a highly regulated business just for such reasons as this. The insolvency of any insurer will leave its mark on the big insurers as well."

Impact Stirs Imagination

Mr. Gerber went on to say that the impact of the Connecticut General case in New York, where an appellate court decision now makes its possible for the company under New York law to go into the fire and casualty business, "stirs one's imagination;" it opens the door to packaging the like of which can hardly be imagined.

In answer to a question whether or not politics enters into rate making, Mr. Gerber came right back with the time he was practically pilloried by the newspapers when he agreed to a needed raise in auto rates. The trouble was, and is, he said, that the insurance industry fails to prepare the public for a rate increase. "The rate regulatory system in the insurance business has been as free of politics as any other rate regulated business in this country," he stated. "Abuses have been negligible." Better public relations between the insurance business and the public are needed. No rate increase will sit well with the public if it hasn't been prepared for it. "It is not politics, but you will have a 'sensitive regulator' if you haven't prepared the public. Any politician wants acceptance," he said.

Asked his views on higher qualification standards for an agent's or broker's license, Mr. Gerber said that if there was ever a time for better standards, it is now. Coverages are getting more complicated. However, without having educational facilities available, "can we put a law for better standards on the books?" he asked. This is like trying to have doctors without medical schools. He wondered why the companies don't take a firmer stand on this.

"It is in the interest of the entire business that the whole matter should be reviewed. It is to the interest of the agency companies and system that better qualified men are entering the business," he said. "There is no question in my mind that as the insurance business becomes more and more involved, qualifications must be considered—very definitely. It is unfair to the public to send someone into the field who isn't fully equipped."

H. W. Mullins, state national director, in reply to Mr. Gerber on the question of schools, said that the agents are asking for 90 hours of classroom work or its equivalent as a qualification for licensing, and if this point can be incorporated into law, there will be no problem in getting the schools.

John Barry Airs Views On Rate Regulation

(CONTINUED FROM PAGE 23)

apartment house package policy approved in Illinois is anything but what it is cracked up to be. He is on record with the Illinois department as opposed to this filing "on the grounds that it is illegal, does not meet with the requirements of law, is unfairly discriminatory against risks in other classes, and forces us to write business at an inadequate rate, as the price for trying to stay in business in Illinois."

Feeling it only fair that one who criticises should also offer a solution, Mr. Barry outlined the provisions of a law, which if passed, "would offer an equitable answer to the whole problem, which would leave an absolute minimum to the discretion of any individual and which would fix the standards and prescribe the formula for rate making, protecting everyone and still leaving all necessary room for reasonable competition." He advised the agents to keep in mind the important part they play in the economy and that concerted action by the agents can have powerful legislative effect.

Editorial Comment

A Class Is A Group Is A Grouping

The news that two companies that specialize in the writing of automobile insurance for the employes of telephone companies ("and other select risks") have merged, serves as a reminder, if any were needed, that a good deal of the insurance in the U.S. is written for groups that have some similarity as a class. Grouping is such an inherent characteristic of insurance that it is trite to say so.

Yet groupings that have not been used previously for the purposes of insuring attract opposition. Grouping for collection convenience, via credit cards, is an example. Another is the "wrap-up" of compensation and liability on big construction projects. Grouping by type of employment, government employes, for example, or business activity is quite common and always has been. Thus we have insurers that write steel manufacturing, retail drug stores, farms, ship builders, printers, Pennsylvania Dutch, non-drinkers, electric manufacturing—the list is endless.

Many groupings are in the news today—fictitious fleets, association cases in the life business, franchise holders. Even local agents, who generally oppose fictitious fleets, buy group A&S and life through their associations, which creates new association cases, to which life agents are opposed.

The writing of automobile on employes of a firm on a group basis, with the employer handling the bookkeeping and collection, has been successfully opposed. Yet an insurer can be (many have been) formed to write the automobiles of employes in the same industry, and at a discount. In most states there are statutory prohibitions against a producer writing most of his business on his own property or operations. But insurance companies have been formed by non-insurance businesses and industries to write coverages principally on their own properties and activities.

While the writing of automobile, and presumably homeowners and other property coverages, for employes at a discount is frowned upon, the writing of group life and A&S on these same employes at a discount long has been an accepted practice. They constitute a fictitious group for one coverage but a realistic group for another..

We can understand the opposition to new groupings, or the use of existing groups for coverages formerly not provided on a group basis. Such developments disrupt existing patterns of business and income. They often mean loss of clients and volume to competitors. They may even introduce improper or unwise underwriting.

But more groupings we are bound to have. The best that can be hoped for is that they will be intelligent and orderly groupings to which fundamentally sound principles of underwriting are applied.—K.O.F.

Wrap Up Your Troubles

Many virtues and faults have been attributed to package policies but few contentions have been proved one way or the other. One fact would seem to emerge quite clearly: Whatever effect packaging may have on the physical aspects of a risk, it has none on the moral aspects.

This point has been well taken by Harford Mutual of Bel Air, Md., in a statement directed to underwriters and to those in production. The company said:

"If a risk is not a good fire risk, it is not any better as a homeowners risk. If insured is a poor moral risk for theft or burglary, he is a poor one for homeowners. If he is suit-prone or accident prone as a liability risk, he is just as undesirable for homeowners. Homeowners was designed for the better type of middle class insured and should be selected and underwriten accordingly. You cannot drape a homeowners magic mantle around the shoulders of 'Careless Charley' or 'Finagling Fanny' and thereby make them clean pure risks."

Commenting on changes in homeowners, Harford Mutual notes that it is quite in the spirit of modern marketing to give coverage as broadly and uniformly as possible at the lowest practical rates. Many companies have grumbled at the downward pressure on rates or at the concurrent broadening of coverage without increased premium. Ultimately, the normal operation of the market will cause the "rate to seek its own level," as so many have said, usually with a wistful look to the future, Harford Mutual observes.

But the problem is not primarily with rates as such or with coverages, in this company's view. The problem is one which was adequately met in former days by the principle of selection. Properly selected, homeowners, or any other coverage, package or otherwise, can be comfortably underwritten, if common sense methods are used in appraising or evaluating the risk.

Harford Mutual's comments are timely, and their essence can be extended beyond homeowners, now that more and more companies are going into commercial and industrial packages. In these areas, moral risk is a far greater factor than in the personal lines market, and selection is therefore even more important.

Some multi-peril men bridle at comments on package policies, construing any and all observations as critical of packaging itself. Much remains to be proved about the virtues and faults of packages. They should neither be acclaimed nor condemned in advance of performance over a considerable span of time.

But one comment seems fundamental. You can't get rid of moral risk by enclosing it in a wrapper. It may be more difficult to detect but it will still be there. Those preparing to throw an all inclusive mantle around commercial and industrial risks, apartments, motels and other classes, and those who have already done so, may be well advised to recall that a new "dress" will not change the fundamental character of the risk.

There is nothing intrinsically wrong with the principle of packaging. There may be something wrong with the uses and the users (underwriters and customers) of the packages.—J.N.C.

Personals

Carl E. McDowell, executive vice-president of American Institute of Marine Underwriters, has been named man of the year by the Seamen's House branch of Greater New York YMCA. Mr. McDowell has been chairman of the board of managers of the branch since 1952.

Miss Virginia R. Carson, daughter of Ellis H. Carson, president of New England Reinsurance Co., and Mrs. Carson, will be married Nov. 25 at Trinity Church, New York, to Charles E. Tuttle. Miss Carson until recently worked at New England Mutual Life's home office in Boston.

C. Harvey Kelley, director of research and development of National Assn. of Insurance Agents, will be married Nov. 25 to Miss Dorothy Tripp at Christ Episcopal Church, Bronxville, N. Y. Miss Tripp is in the personnel department of Commercial Union.

H. W. Culbreth, vice-president Nationwide Mutual, was a member of the five-man group that is making a 30-day tour of cooperatives, credit unions, and savings banks in six Latin American countries for the State Department's agency for international development. Mr. Culbreth is representing Murray Lincoln, president Nationwide Mutual, who is president of Cooperative League of the U. S. The tour started Nov. 12.

H. Clay Johnson, executive vice-president of Royal-Globe, has been elected mayor of Rye, N. Y. He will serve a three-year unsalaried term for the city, which is run under a council-manager form of government. This is Mr. Johnson's first venture into politics, although he served with the federal government for 10 years. As vice-president of War Damage Corp., he was chief author of the plan which enabled Americans to buy over $130 billion of war damage insurance for factories and homes. He also negotiated the contracts which helped create the wartime synthetic rubber program.

Deaths

ROBINSON G. HOLLISTER of Glen Ridge, president of Insurance Brokers Assn. of New Jersey and a director of National Assn. of Insurance Brokers, died while undergoing an operation.

L. D. STITT, 77, president of Starkweather & Shepley (Ill.) agency, Chicago, died of a heart attack in the Union League Club, where he resided. He began in insurance in 1902 with Great American as superintendent of the automobile department. In 1922, he went with Marsh & McLennan in the Chicago brokerage department. He

THE NATIONAL UNDERWRITER

The National Weekly Newspaper of Fire and Casualty Insurance

ABC

Published by The National Underwriter Co.

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SUBSCRIPTIONS: Address all communications to the National Underwriter Co., 420 East Fourth Street, Cincinnati 2, Ohio. Price $7.50 a year (three years $20); Canada $8.50 a year (three years $23); foreign $9 a year (three years $24.50). 30 cents a copy, back copies 50 cents. **CHANGE OF ADDRESS:** Enclose address sticker and Post Office form 3579 with new address, send to 420 East Fourth Street, Cincinnati 2, Ohio. Allow three weeks for completion of change.

was appointed head of Illinois operations of Starkweather & Shepley in 1928 and served as president since 1943. He was a director and trustee of the firm's Illinois, Rhode Island and New York companies. Active in insurance circles, he was at one time treasurer and a director of Chicago Board of Underwriters.

Mrs. MARIE LYNCH O'CONNOR, 91, mother of James C., editorial director of the National Underwriter Co., died at Cincinnati. Two other sons survive, Robert of South Bend, Ind., and Very Rev. Paul L., S. J., president Xavier University, Cincinnati. There are 14 grandchildren.

EDGAR A. LOCKNISH JR., 55, supervising underwriter of America Fore Loyal'y in the metropolitan New York office, died at Presbyterian Hospital, Newark, N.J., after a short illness. He joined Firemen's of Newark in 1925 at its home office and was later in charge of Loyalty companies' fire business in New York for many years before assuming his latest post in the metropolitan department in October.

WILLIAM H. KUHNHOLD, 69, retired associate manager of Hartford Fire's marine department in New York, died of a heart attack at the Pickwick Arms Hotel, where he lived. He had been in the business 50 years, 18 with Hartford Fire. He retired in 1959.

WILLIAM C. DILLON, primary claims manager and assistant secretary Security Mutual Casualty, died suddenly at his home in Chicago. He had been with the company for 38 years. In 1953 he was appointed claims manager and in 1959 was elected assistant secretary.

THOMAS F. CHARLTON, 75, who retired as executive assistant of Western Adjustment at Chicago in 1952 and moved to Clearwater, Fla., died there. He began with Western at Chicago in 1908. He was named manager at St. Paul in 1915, returning to Chicago as manager of the Cook County branch in 1945. He was named executive assistant in 1950. Born in Toronto of English parents, he was a naturalized citizen of the U. S.

Comments On The Insurance Field From The Investment Dealer's Chair

By LEVERING CARTWRIGHT

Cartwright, Valleau & Co., Board of Trade Building, Chicago

Much of the insurance stock list was bouyant to frenetic last week. Several issues ran dry momentarily, that is there were only buyers, no sellers. Washington National, for instance, which had been dormant since the payment of a 25% stock dividend in the early fall, advanced eight points to 71 bid when buyers appeared, only to find that offerings were scant. Important earnings improvement is scented here.

Franklin Life went up easily after surmounting its previous high of 125 and on Friday there were sales at 136. Life of Virginia was wanted and got into the 130 range.

The 300,000 share offering of Combined at 57 was "out the window" and stock was traded at 61½ bid.

In several fire-casualty stocks, buyers ignored the effect of the Los Angeles fires, but Continental Insurance on the N.Y. Stock Exchange dropped as much as 2½ points. That represented a decrease in total share valuation of $30 million, yet Continental estimates its L. A. loss at only $1 million or 8 cents a share. An announcement Friday by the management of prospects for greatly increased earnings this year caused the stock to recover what it lost

On the Conn. General-Aetna Insurance announcement Monday CG stock dropped 30 points from its opening price and Aetna went up 20. What happens now on Phoenix Insurance? Cross directorships are noted here with Conn. Mutual Life. Also, is it a candidate for an Aetna Life combination? Phoenix stock advanced about 5 points in sympathy with the CG move.

Ohio State Life went to 66 bid Monday, Washington National was at 75, National Old Line 36, Aetna Life 154, Travelers 64, Lincoln National 171. B.M.A. broke into the century group, with the bid reaching 101. Old Republic Life touched 30 and North American Life was at a new all-time high in the 29 range.

in the L. A. selloff and add a point beyond that, to 66. Continental tends to be more overly sympathetic to momentary influence than those that are traded over-the-counter. There are more tape-watchers in this and they respond emotionally to bulletins and flashes. Incidentally, Continental added another $48 million or $4 per share to surplus in October due to appreciation in market value of equities and surplus to policyholders is nudging the $1 billion mark. Investment income is up about 5%.

Ohio State Life became a bid only situation as investors assessed the magnitude of this company should its new move to wed Columbus Mutual Life be consummated. The first publicity was confusing, as it dealt with the matter of backing into an old legal conflict. Actually, of course, the program results from a resolution of differences, not from antagonism. Should this come about (and it will require six months or so at best), Ohio would be a company with $1 billion $200 million insurance in force, 1,500 agents, operating in 22 states. National Life & Accident soared on word of a 2 for 1 split with an increase in the cash dividend. It was up 10 points or so.

Security Life & Accident continued to advance after announcement of a proposed 20% stock dividend.

Nw National Life went over the $200 mark.

Wis. National Life was going at $60 with stock hard to find. This is new high ground.

announcement of bang-up results for nine months.

Victory Life was sold out and went to 140 bid, up 10. Another Kansas situation was strong—National Reserve Life—leaping 30 to 275.

Kansas City Life, which has been resting after having moved at a 100 point clip weekly for awhile was sought anew and at 2600 was higher by 100.

National Old Line moved into new high ground above 34 on a 20% stock dividend proposal.

Reliance declined more than 2 points Friday on declaration of a quarterly dividend of 60 cents, an increase of 8⅓%. They wanted an egg in their beer, it looks like.

Arbitragers who bought Standard Accident stock around 50 earlier this year just after a twinning with Fireman's Fund was called off and before the Reliance acquisition was set, have done well. They got Reliance stock share for share and this is now hovering at 70 and they are setting a cash return of 5%.

Buyers are searching for recherche life insurance situations—inactive issues that might be available at prices that look cheap in relation to the regularly-traded stocks, for instance United Fidelity Life of Dallas which appears rarely and has been selling, when it did turn up, in the low 70s (at virtually no increase for the year) last week went at 90 or better.

New Federal Law On Employe Auto Use

(CONTINUED FROM PAGE 1)

does not cover operation of any non-owned automobile (such as one owned by the government) furnished the insured for regular use in his business or any business use of a commercial automobile or any automobile or other than the private passenger type.

Thus, a federal employe who drove a government-owned automobile regularly needed broad drive other cars coverage and this was widely carried. There was also some carrying of non-owner coverage by government employes who did not own automobiles personally, but who drove government automobiles in the course of their duties.

Insurance men may have a problem advising clients who are in this position. Since the law does not go into effect until March 21, 1962, government employes whose insurance expires before then and who have heard of this law may have to be cautioned against premature action. Because the law is so new, there are almost certain to be technicalities which will have to be worked out in court, so it may be a long time before anyone can be sure that a person who drives a government-owned vehicle has no liability exposures which are not removed by this law and not covered by standard automobile provisions. Some insurance producers believe that the only safe procedure is to tell a client about this new law, but not to advise him to drop broad drive other cars coverage, making him take the responsibility for this step.

Conn. General Position On Regulation Was Misstated

The article in last week's issue quoting testimony of Buist M. Anderson, vice-president and counsel of Connecticut General, before the New York legislature's committee on insurance rates and regulation, made it appear, by the inadvertent omission of several lines of copy, that Connecticut General wouldn't mind having federal regulation.

Actually, Mr. Anderson was criticizing national regulation, saying, "We do not want to see life insurance companies placed in a regulatory strait-jacket—hamstrung as are the railroads. For this reason we do not want national regulation of insurance, whether it be administered from Washington or from Albany."

Stocks

By H. W. Cornelius of Bacon, Whipple & Co., 135 S. LaSalle St., Chicago Nov. 14, 1961

	Bid $	Asked $
Aetna Casualty	157	Bid
Aetna Fire	155	170
American Equitable	24	25½
American Newark	32	33½
American Motorists	27½	30
Boston	43	45
Continental Casualty	111	114
Crum & Forster	51½	55
Federal	73½	75
Fireman's Fund	67	70
General Re.	182	192
Glens Falls	46½	48
Great American	64	66
Hartford Fire	88½	90
Hanover	48½	50
Home of N.Y.	66¼	67½
Ins. Co. of No. America	105	107
Jersey Ins.	40	Bid
Maryland Casualty	47	49
National Fire	163	Bid
National Union	50	52
New Hampshire	63	71
North River	50½	52
Ohio Casualty	33½	35½
Phoenix, Conn.	125	130
Prov. Wash.	25	26
Reins. Corp. of N.Y.	26	29
Reliance	69	72
St. Paul F. & M.	92½	94
Springfield Ins.	42½	44
Travelers	165	170
U.S.F. & G.	77½	80
U. S. Fire	39	41

Godoy Pres., Stebler V-P

In the story in the Nov. 10 issue dealing with changes in the executive staff of U. S. & Foreign Management, New York, the top positions in Usaform Panamerican, reinsurance brokers for Latin America, were inadvertently reversed. Fernando R. Godoy becomes president of Usaform Panamerican, and H. Alexander Stebler becomes executive vice-president.

Parrish And Mullins Speak Out On Rates

(CONTINUED FROM PAGE 21)

ing in Illinois to consider a form of no prior approval if it will help our companies and if it can be regulated so as not to be ruinous to the agents.

"We are against federal regulation and for state regulation. Since the subject of prior approval vs no prior approval is a part of the entire regulation problem, we thought that our views on this matter could not be defined without taking the whole picture into consideration. Therefore, it was necessary to take into account the entire philosophy of the subcommittee hearing as it pertains to the insurance industry in general. It became obvious that we could not clarify the air or make our position clear by simply saying we were for or against prior approval or no prior approval. As a result, we have tried to make a statement based on a realistic view of the future and an intent to improve the situation in our state.

"We are against federal regulation, but we believe that the hearings exposed some weak spots in the industry. By working with our insurance director and our companies, we suggest that all of us together could strengthen these weak spots and thereby forestall any plans which the federal government might conceive so far as Illinois is concerned."

The speaker added that he has long been concerned by the discord, lack of understanding and poor communication within the industry. As a result, last spring the association reactivated a special committee which had met in 1959 with members of the advisory committee of Inter-Regional Conference. The association requested a meeting with company officers and met in September in Chicago with the exeuctive committee of Association of Casualty & Surety Companies.

An Excellent Meeting

"It was an excellent meeting. Both agents and company men felt that much good will was engendered and their only concern was how it could be passed down the line. It was an honest meeting in which we told them not only our complaints but also our willingness to cooperate. They, in turn, told us that they would do what they could to alleviate our problems and told us some of theirs. I might add that company officers are not by any means unaware of our problems, but in many cases they can do nothing about them. I am afraid that stockholders have much to do with the muddied situation—stockholders who are interested in profits for profits sake, and who know nothing about the insurance business."

In making his report as state national director, H. W. Mullins, Rockford, read the statement to which Mr. Parrish alluded. Since there was no action on it at Dallas, the Illinois association made the following statement:

"Illinois Assn. of Insurance Agents has been questioned as to our position on the subject of rate regulation following adoption of the resolution on Sept. 25 by the National Board of State Directors. Inasmuch as the resolution did not directly conflict with the statement of our position, we voted for passage of the resolution in the interest of a strong, united front by National Assn. of Insurance Agents.

"In the interests of time, our prepared statement was not read in its entirety. Tthe Illinois association has not changed its position and will make available copies of our statement to anyone upon request."

At the St. Louis meeting, the association also made a resolution on rate regulatory changes. This reads that the Illinois association recognizes the "desirability and inevitability of some changes in insurance rate regulation and that both proponents and opponents of the changes now being discussed have some measure of merit and justice in their respective views. The Illinois association finds areas of disagreement, but not total disagreement with the findings of the Senate sub-committee on insurance regulation and believes that there are unexplored areas of compromise in this most controversial matter, and now therefore be it resolved that the Illinois Assn. of Insurance Agents . . . urges upon all regulatory officials, company officials, and agents, the utmost effort to cooperate to the end that state regulation of insurance is permanently preserved and objectional features are reduced to a minimum or eliminated."

Mullins Makes Statement

Mr. Mullins in his statement at the Dallas meeting said there are few, if any, informed persons in the insurance business who would contend that the present rating laws are perfect. There seems to be some merit in the objective of most company and bureau officials in seeking some change in prior approval provisions. Both agents and companies have been hurt because of undue delay and difficulty in getting approval of necessary rate increases, frequently because of political considerations.

However, agents are justified in being apprehensive of what could happen to the insurance business if file and use rates, with or without subsequent disapproval, should become widely accepted. Not much has been said beyond complete adherence to one principle or the other, he pointed out. "It is our opinion that the privilege of opposing carries with it the obligation to propose acceptable alternatives.

". . . It is easy to merely oppose any suggested changes which might conceivably threaten our interests, but that course leads to no stature in our association. Surely there exists among our membership sufficient ability an knowledge to offer constructive suggestions which will be acceptable to us and at the same time alleviate the problems which exist under our present laws.

"A professional association such as ours should protect the interests of its members, but always keeping in proper perspective the interests of all others, in our case the interests of our policyholders and our companies.

"It seems that our association should take a strong position of support for the maintainance of rating bureaus

necessary in our business. Any company and organizations as being vitally necessary in our business. Any company or organization that files independently and makes deviation filings using bureau or organization rates as a basis for its own filings or in any other way uses bureau rates or statistics should be required to contribute its fair share to financial support of those rating organizations, and we believe our association should support this principle.

"We would also like to support the proposition that any changes in the rating laws should be such as would reduce the responsibility of the regulatory official without restricting his authority. We do not think that subsequent disapproval restricts his authority in any way but does reduce the possibility of denying necessary rate increases because of political expendiency or any other reasons. Subsequent disapproval would also give the regulatory official the benefit of observing public acceptance of rate changes before being require to take disapproval action.

Should Have Authority

"The insurance regulatory official, however, should, of course, have the authority any time to call for proof from any company or rating organization that the rates in current use are neither excessive nor inadequate. Producers should be given the rights of aggrieved parties in connection with any filing which incorporates modification of agents' commission, either directly or indirectly.

"Rating laws should be sufficiently flexible to permit recognition of truly and obviously unique risks requiring special treatment without forcing such risks into non-admitted or surplus line markets.

"It is our belief that NAIA should take some constructive position rather than approve or disapprove either our present law or any of the presently or future proposed plans offered by company organizations or regulatory officials. Neither should we take a position of no action. Approval of fundamental principles, not necessarily applicable in all states, does not prejudice the rights or opinions of any individual state association. This can and should be emphasized if and when the national association takes a position."

Mr. Mullins also gave detailed suggestions for a possible way for companies, agents and regulatory officials to reach a common ground.

Mr. Mullins, after three years as state national director and 12 years on the board, is stepping down from these two posts. He has seen the association grow from very humble beginnings to one of the largest and strongest in the nation and expressed the hope that he had contributed something to the business, "which, in spite of all our complaints, has been good to all of us."

Mr. Mullins opined that neither agents nor companies have demonstrated a willingness to meet each other half way in trying to solve some of their most pressing problems. "For instance, it is difficult to understand why, in setting up our program for this meeting, that we were unable to get any responsible company, bureau or board member to participate in a panel discussion on the very important current subject of rate regulation.

"Also, it seems to me, that much of the opposition of agents to company proposed changes in rating laws could have been avoided had the agents been consulted and their support sought before publicly announcing a strong company position for no prior approval regulation.

"By the same token, I believe NAIA failed to recognize the problems posed by present laws. I believe agents should take a more tolerant and understanding position than expressed by the action at Dallas. After all, in the final analysis, we sink or swim with our companies."

He cautioned the agents against action in any area which in any manner "smacks of labor union philosophies or tactics. If, however, we approach every problem and every proposed change in our business, concerned only with our own interests and without regard to others, we will not be recognized as an association of professional business people. Only by keeping our own interests in proper perspective with those of others can our association achieve the recognition and prestige we all desire. Outspoken criticism of each other by responsible representatives of our association or company and bureau officials can only damage us all. I am convinced that what is best for the industry in the long run is best for you and me. It is my ardent hope that that will be the philosophy of our Illinois association in the years ahead."

Ill. Agents Name Woodworth President

(CONTINUED FROM PAGE 22)

ment award for local boards was won by Taylorville and was presented by Hobart A. Martin, resident vice-president, St. Louis, to James C. Humphrey for the board. The William H. Jennings Jr. membership cup, which goes to the winning region, was presented to Sanford H. Lederer, Chicago, vice-president region 1, who received the trophy from executive vice-president Woodworth and accepted on behalf of the Chicago board. A new award for local board saftey accomplishment was also won by Taylorville and accepted by Mr. Humphrey. Making the presentation was Robert Newell of Ashland, chairman of the Illinois association safety committee. The award includes a permanent and travelling trophy.

Frank Miley of Chicago, a director and former president of the association, presented a plaque to Mr. Parrish for his activities during the year as president. Mr. Miley was appearing in place of Fred O. Waller of Galva, chairman and immediate past-president, who was unable to attend the meeting because of illness.

Speaker at the luncheon that day was Kenneth McFarland, educational consultant and lecturer, General Motors. Always an inspiring speaker, his words on Americanism and some facts and figures on the defense setup in the U. S. as compared to that of Russia's produced a standing ovation. The audience held him over by repeated applause considerably longer than the time alloted his portion of the program. In the main, he stressed the fact that America should quit apologizing to the world for anything it does or anything it does not do.

Monday afternoon at the first general session, a panel was originally scheduled on rate regulation, but Mr. Mullins, as moderator, pointed out that in setting up the meeting program the association was unable to get "any responsible company or bureau ex-

ecutive to participate in a panel discussion on the very current subject of rate regulation." As a result, the panel was changed to include three speakers: Emory Ross, Duncan Insurance Office, LaSalle; George Faunce III, president AFCO, and Joseph S. Gerber, Illinois director.

Mr. Ross described the changes in his agency brought about by the installation of automation, and Mr. Faunce discussed premium financing as a door opener or a production device. Mr. Gerber spoke on conditions in the insurance business in general, with stress on regulation.

Mr. Faunce pointed out that premium financing has grown very quickly. Three years ago his company financed $45 million and this year more than $90 million in premiums. He noted that the public is geared to installment payments and that by offering them premium financing, the agent is filling a vital public need, "and he doesn't end up being a financial doormat for his clients." The main idea is to get the financing outside of the agency. When the agent makes it easier for the customer to pay, more insurance can be sold, he said. Also, with most financing, the agent gets his commission at the outset.

Two simultaneous breakfasts got Tuesday off to a good start—the rural and small lines agents, presided over by Benj. A. Jones, Decatur, vice-president farm affairs, and the metropolitan and large lines, with Sanford H. Lederer, Chicago, vice-president region 1, presiding.

At the farm breakfast H. B. Jacobs, production supervisor of American group at Decatur, discussed account selling tailored for the farmer and detailed the new farmowners policy. He noted that in account selling that life insurance should by all means be included. Any young men going into the agency business today should acquire working knowledge of life insurance, as well as hospitalization, he said.

46% Tenant Owned

The speaker also brought out that more than 46% of the farmers in Illinois are tenant owned and a tenants' farmowners policy is needed equally as much as the present farmowners. He said the reason there is no such policy is lack of communication among the agents. He suggested that they write to the manager of their farm department or to the Farm Underwriters Assn. "Indicate you want this type of coverage as soon as possible, and they'll come up with it. We need it as fast as we can get it," he concluded.

At the large lines breakfast, Eldred Koenig, assistant vice-president Geo. F. Brown & Sons, Chicago, discussed general liability insurance and various exposures and coverages. He said the general trend in liability insurance is that judgements and out of court settlements are arising faster than the spiraling economy and this trend has been brought about by several factors. The public has become claim conscious because of television, newspaper reports of large claim payments and magazine articles, such as a recent article on malpractice in the Saturday

Evening Post.

Another factor is the apparent race among plaintiff attorneys for the prestige of obtaining the highest judgement from the jury. "There is an organization known as National Assn. of Compensation Claimants Attorneys which has been receiving much publicity for the large awards they have obtained for their clients," he said.

As losses rise he said, so must the premiums paid for insurance increase proportionately and where this will end is difficult to predict. Experience figures for the first six months of 1961 do not paint a very good picture. The competition in automobile business particularly, with credits for safe driving, etc., has reduced the premium income and if losses continue to increase, "we could very well be going into another adverse loss cycle."

At the second general session Tuesday morning there was a panel on operation of the assigned risk plan, with Donald W. Perin Jr., Chicago, chairman of the association's automobile committee, as a moderator. Participants were Edward J. Thau, manager Illinois Auto Assigned Risk Plan; James H. Rupp Jr. of Decatur, chairman of the association's casualty insurance committee, and R. B. Thomas, resident vice-president American group, Chicago.

Mr. Thomas, who has been on assigned risk plan governing committees in Alabama, Louisiana and Illinois, said that when considering the plan from the company point of view, there can be no serious contention that it does not serve a necessary and worthwhile purpose. The plan contains the basic philosophy of insurance itself in covering people to spread risks, and usually the people in the plan are those who are in good faith entitled to insurance protection but for some reason can't get it. "We must help them. With the financial responsibility laws, the need is apparent," he said.

In describing the birth of the plan in 1940, Mr. Thomas said that it applied in the early days to those required to comply with the financial responsibility law and also the driver who had a record of rank carelessness. There is a different cross section today, what with selective underwriting and other factors.

Plan Highly Unprofitable

Mr. Thomas gave a number of figures showing that the assigned risk plan is highly unprofitable, but there is little probability of relief in underwriting results. This means that the administrative cost of the plan must be kept to an irreducable minimum, he declared. He stressed, as did the other speakers, that applications must be filled out properly and completely. Otherwise the eligibility and premium are affected and any company is entitled to decline an application unless complete information is furnished.

Speaking for the agents Mr. Rupp said, "We feel that the less we have to do with a plan the better we like it." He compared the handling of the assigned risk with standard plans and said in all fairness that there are not too many differences and that the commission is not too bad. He would like to see a folder that explains the assigned risk plan to the customer and is a guide to the agent. "In the light of Mr. Thomas' figures, we are not being fair to the companies," he said.

Mr. Thau went into the assigned risk plan in considerable detail. He also stressed the need for filling out the application completely and properly. He said there has been some dropping off of the numbers in the plan and attributed this to the companies now writing substandard.

Valmore Forcier NAIA advertising coordinator, wound up the session by a discussion of the 1962 advertising program of the national association. He said the ad program is very important to the independent agent and enumerated some of the various brand names that fell by the wayside over the years because they "thought they had it made and did not advertise." He said the agents felt that way, too, for many years and forgot that an entire new crop of war babies had grown up.

"We were content in our little cell because we were making money. But a system came along which recognized this new population group and made the law of averages work for it. Its representatives were making calls and getting results. We had to let people know we were something apart from this new breed of cats taking over our markets. So we came up out of necessity with a symbol—the Big I. The NAIA ad campaign, supplemented by local efforts, is the greatest thing that has ever come down the pike," he declared. "Actually, it is the only thing we as an association have in common."

Final Session

As to those agents or agencies who feel they do not need the advertising campaign, Mr. Forcier said that in every national association there must be projects of varying degree and kind. No large agency can win a legislative battle all by itself. Numbers are needed. The small and medium sized agency is the deciding factor. "You must support the little agencies if they would support you."

The third and final general session Tuesday afternoon had as its first speaker Bill Gove of the sales research and development organization bearing his name. His presentation is dramatic and in the main he puts over his points with various stories to fit the occasion. It is highly effective. He said that anyone going back from the convention should be changed just a little bit; otherwise the meeting did him no good. He stressed that the real doers can't tell how they find time to do all of the things they do. The big idea is related to calculating time in more than one dimension.

Closing speaker at the session was John R. Barry, president Corroon & Reynolds group, whose talk is reported elsewhere in this issue.

At the banquet that evening, there were no formal speeches except for a few words from Mr. Parrish as retiring president and the presentation of a gift to Mr. Parrish and his wife. The banquet was followed by a floor show and dance.

Leland R. Crank of East St. Louis was general convention chairman, and Mrs. Crank very ably handled, as chairman, the special program running throughout the meeting for the ladies.

Sunday night, Continental-National group held its traditional informal reception, which certainly left nothing to be desired in refreshments of all kinds. There were even snails yet, something not seen very often in the hors d'oeuvre department at such affairs. Also, there were about 70 company and agency hospitality suites providing facilities for relaxing and informal conversation.

Installation of officers was performed by C. Lawrence Leggett, Missouri superintendent, who pointed out that this was his last official act, since he was leaving office Nov. 15.